ANNUAL REPORT

OF THE

Indian Merchants' Chamber

FOR THE YEAR

1947

Presented to the Annual General Meeting of the Chamber held on 29th January 1948

Published by

A. C. RAMALINGAM

SECRETARY, INDIAN MERCHANTS' CHAMBER,

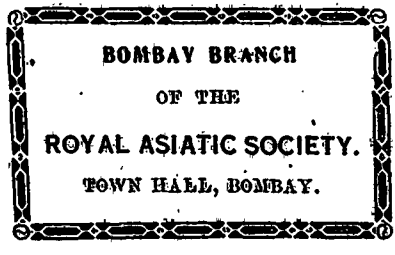
LALJI NARANJI MEMORIAL

INDIAN MERCHANTS' CHAMBER BUILDING,

BACK BAY RECLAMATION, FORT, BOMBAY

1948

Price Rs. 5



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of

The Secretary.

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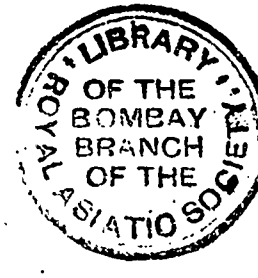

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PROCEEDINGS OF THE 40th ANNUAL GENERAL MEETING

The 40th Annual General Meeting of the Members of the Indian Merchants' Chamber was held on Thursday, the 29th January 1948, at 4 p.m. (S.T.) at the Office of the Chamber, when the following members were present :—

Mr. Ratilal Mulji Gandhi, M.L.C. (*Retiring President*).

Mr. Ramdas Kilachand (*Incoming President*).

Mr. Bhawanji Arjun Khimji, M.C.A. (*Incoming Vice-President*).

Sir R. M. Chinoy.
,, Chunilal B. Mehta.
Mr. Pranlal Devkaran Nanjee.
,, Mahomed Husein H. Premji.
Mrs. Lilavati K. Munshi.
Mr. M. R. Ruia.
,, Ratilal M. Nanavati.
,, R. G. Saraiya.
,, K. C. Desai.
,, Ratanchand Hirachand.
,, Vijaysinh Govindji.
,, Dahyabhai V. Patel.
,, Nagindas T. Master.
,, Murarji J. Vaidya.
,, P. M. Chinai.
Prof. M. P. Gandhi.
Mr. Sarabhai Prataprai.
,, N. H. Mapara.
,, Devji Rattansey.
,, N. C. Javeri.
,, V. N. Patwa.
,, Mohanlal A. Parikh.
,, L. N. Khanna.
,, J. J. Kapadia.
,, J. R. Trivedi.
,, S. M. Nanavaty.
,, G. D. Modi.
,, Dara H. Kooka.
,, K. M. Parekh.
,, N. J. Kadgara.
,, M. C. Modi.
,, N. C. Jerajani.
,, P. S. Lahoti.
,, C. H. Diwanji.
Mr. M. S. Pandya.
,, C. B. Shah.
,, H. Raney.
,, Mangaldas Shamji.
,, G. M. Pandya.
,, H. P. Kumbhani.
Miss R. Japheth.
Mr. B. R. Shah.
,, D. K. Tavaria.
,, K. K. Chitalia.
,, D. N. Shroff.
,, D. A. Dave.
,, I. B. Damania.
,, M. V. Nayak.
,, Kanayalal Khiaram.
,, Gatulal Rangildas.
Major J. D. Kothawala.
Mr. A. T. Kajiji.
,, R. P. Bulsara.
,, N. C. Shah.
,, Vadilal A. Shah.
,, Y. N. Shah.
,, Ratilal C. Kothari.
,, V. H. Hazarat.
,, S. Kumar.
,, Nandlal Dullobhdas.
,, C. S. Modi.
,, C. R. Shroff.
,, Bhupatray Vasa.
,, D. L. Bhatt.
,, J. K. Ladiwala.
,, M. A. Khan.
,, N. M. Shah.
,, B. A. Shah.
,, Shamji Vallabhji.

Mr. B. S. Dabke.
,, T. C. Parikh.
,, Venkatrao Sista.
,, Bhailal M. Shah.
,, A. E. Arsiwala.
,, T. N. Munshi.
Dr. Kalimudin.
Mr. Purshottamdas Vora.
,, Raghavji Vallabhdas.
,, H. N. Pahilaj.
,, B. R. Gandhi.
,, N. T. Dalal.
,, S. C. Parikh.
,, P. M. Shah.
,, J. S. Shah.
,, K. G. Asher.
Mr. H. M. Trivedi.
,, J. M. Shah.
,, T. N. Vora.
,, Jivanlal Motilal.
,, J. C. Vora.
,, J. R. Mehta.
,, D. C. Modi.
,, Nanalal V. Pathak.
,, M. M. Vora.
,, B. D. Dave.
,, Premchand C. Bhayani.
,, S. V. Seshadri.
,, Jayantilal M. Shah.
,, C. S. Patel.
,, G. Parekh.
,, Sant Singh.

The Secretary read the Notice convening the meeting.

Mr. Ratilal Mulji Gandhi, Retiring President, in placing before the Meeting the Report of the work done by the Committee during the previous year and the audited Statement of Accounts of the Chamber for year ending December 1947, made the following speech :—

Ladies and Gentlemen,

The Report of the work done by the Committee of the Chamber during the year that has just ended and the audited Statement of Accounts for the period have already been circulated to members ; I formally propose the adoption of the Report and the Accounts.

It is a matter of considerable pleasure to me to extend to my colleague, Mr. Ramdas Kilachand, hearty felicitations, both on my behalf and on behalf of you all, on his election as the President of the Chamber for the coming year. The house of Kilachand Devchand, to which he belongs, enjoys a position of privilege and esteem. Their business interests are many-sided. As one of the senior members of that illustrious House, Mr. Ramdas has had unique opportunities of being brought face to face, from a very early stage, with the various aspects of the problems facing trade, commerce and industry. I have no doubt that this early and continuous training and the day-to-day touch with the actual problems confronting trade, commerce and industry will stand him in good stead in his extended sphere of activities in the service of the commercial community of the land. Further, he is connected with various other trade organizations and the personal contacts that he has developed will be an additional source of advantage to him in his work in the Chamber. I must particularly acknowledge on

this occasion the valuable assistance which I received from him as the Vice-President during the course of the last year. With the goodwill of the general body of members and the active assistance and co-operation of the members of the Committee, he will have no difficulty in conducting the affairs of the Chamber during the coming year in a manner which will add to its utility and prestige.

It is also a matter of personal delight for me to extend to Mr. Bhawanji Arjun Khimji my hearty congratulations on his election as the Vice-President for the coming year. He has been on the Committee of the Chamber for several years. He represented the Chamber for more than one term on the Bombay Municipal Corporation. He is besides a member of the Indian Constituent Assembly as also of the Bombay Legislative Assembly. His life has further been enriched by the part played by him in the political and social fields, and we can count upon him to stand steadfastly behind the President in the efforts of the Chamber to further the interests of the Indian commercial community.

Political Situation

The year that has just ended was dominated by political developments of a far-reaching character. We are too near and too involved in these developments to be in a position to evaluate dispassionately the effects and consequences of the political changes. On the 15th August 1947 the country for the first time during the last two hundred years assumed an Independent status and took its place as a Sovereign Power among the nations of the world. The average citizen still continues to be in a questioning mood whether in this process of political transformation, the unity of the sub-continent should at all have been sacrificed. But the country, however, has accepted Partition as an accomplished fact and applied itself to the tasks ahead in a spirit of reconciliation. The Indian Constituent Assembly took on hand the work of framing a constitution for Free India, and good progress has been made, and the principles and objectives enunciated in the new Constitution emphasize the importance of human rights and needs.

The transfer of power on the 15th of August created a vacuum in the sphere of our relationship with the Indian States. The rights of Paramountcy were not expected to accrue to the successor Governments and consequently the Indian States were allowed to assume an independent role in their relationship with the two Dominions. As this was another fissiparous factor, the question of bringing about conditions under which the States could be merged with either of the two Dominions presented serious difficulties, and it is a matter for some satisfaction that, subject to certain adjustments which have yet to be made in regard to some States, the possibility of the continent of India being absolutely divided into several sovereign groups and areas has been avoided. This is an achievement on the credit side of very great value.

The country was not, however, destined to apply itself to the work ahead in an atmosphere of peace and tranquillity. The political passions let loose certain forces, which presented problems of a great magnitude. Loot, arson and massacre were in full sway in certain parts and the transfer of population on communal considerations was rendered unavoidable. The developments in Kashmir were another source of misunderstanding between the two Dominions, and it looked as if the country was drifting towards an indefinite period of internecine and communal quarrels. The tide was stemmed by the epoch-making fast of Mahatma Gandhi and his appeal to the conscience of the thinking sections of both the communities went home. The country was once again on the edge of a precipice, when everything seemed to be gloomy and dark. Mahatma Gandhi again succeeded in bringing reason and light. Is it too much to hope that this will be a turning point in the history of the relations between the two new Dominions? Let there be a break with the past and let the two countries apply themselves to the common tasks ahead in a spirit of toleration and mutual goodwill. The Indian Dominion wishes well by its new neighbour. It will only be too glad to be of help, as far as it lies in its power, to Pakistan in its problem of consolidating its newly-won political status. Thinking men in both the areas cannot but feel that this atmosphere of suspicion and distrust should now definitely end and that the message of peace and goodwill and communal harmony preached by Mahatma Gandhi should permeate all sections of the society in both the countries.

To preserve the continuity of the economic life in the two Dominions after Partition, a Standstill Agreement was entered into. The Indo-Pakistan Customs Agreement was meant to ensure the continuance of the existing import and export policies, the existing Customs tariffs and excise duties and to prevent any Customs barriers being raised as between the two countries. There was also a special agreement regulating inter-Dominion monetary relations. As a result of further efforts, all matters of dispute arising out of Partition have been resolved in an atmosphere of give and take. The Indo-Pakistan Financial Settlement dealt with the ticklish question of the division of assets and liabilities which at one stage was reported to be presenting formidable difficulties. All these are on the credit side. I am optimistic enough to think that the recent contretemps in political relationship as a consequence of developments in Kashmir will not be allowed to come in the way of the progress of this good work in the economic sphere and even where the disputes concern vital points which both the Dominions consider as of a fundamental character, the acknowledged international method of settling the same by negotiation and agreement will be fully tried and followed. For it is inconceivable that the two new Dominions, which have so much in common and are at all events economically interdependent, will

allow their future progress and prosperity to be jeopardised by indeterminate political wranglings.

Conference on Industrial Development

The economic problems which the country had to face during the period of its political transition were greatly aggravated by the rigours caused by all-round shortages. Government, no doubt, were confronted with problems of an unexpected and emergent character in the political sphere with the result that the country's economic requirements were again relegated to the background. It was expected that with the attainment of Freedom, concerted efforts would be made to correct the deficiencies in our economy and to proceed with our plans and proposals for the rapid industrialisation of the country. Although the work in that direction has been delayed, it is reasonable to hope that the start given by the Industries Conference will be followed up and that the problem of securing immediate increase in industrial output will be pursued vigorously. The data placed before the Conference disclosed that there had been a steady decline in industrial production even in relation to the present installed capacity. I have no desire to trouble you with the figures indicating the extent of the decline, which varies between 20 and 80% in relation to the present installed capacity. The inevitable result of the fall in production has been an increase in manufacturing cost on the one hand and a decrease in the availability of goods on the other. The Conference, therefore, was mainly concerned with the immediate problem of attempting an increase in production wherever possible upto the maximum of installed capacity, thereby making more goods available and bringing down prices. The gap between spendable income and the value of goods has been widening very rapidly. This vicious circle of falling production and rising prices can only be broken by increasing our productive capacity through a sustained and planned effort.

Industrial Truce

Among the conclusions and decisions reached at the Conference, by far the most important one, which has a direct bearing on the question of increased production, is that relating to what has been popularly described as " Industrial Truce ". The resolution embodying the terms of the Truce emphasises the respective rights and obligations of capital and labour and the need for fullest co-operation between management and workers in industry in maintaining stable and friendly relations. Strikes, as a method of forcing attention on industrial disputes, are ruled out and it is agreed that such disputes should be settled by making full use of the statutory machinery available for conciliation or arbitration. Works Committees are also to be constituted in each industrial undertaking, composed of representatives of the management and labour for the discussion and settlement of disputes arising in day-

to-day matters. The Conference further agreed that suitable machinery, central, regional and functional, should be established for the study and determination of fair wages and conditions for labour. The Resolution went a long way in recognising the rights of labour. It is, however, a matter of profound regret that hardly after a couple of days of the agreement to observe a Truce, a token strike was organised in this City as also in some other centres, raising doubts as to the *bona fides* of interests representing labour in agreeing to the Truce. It is to be hoped that the appeal made by Pandit Jawaharlal Nehru, our Prime Minister, and reinforced only the other day by Sardar Vallabhbhai Patel, the Dy. Prime Minister, will not be in vain and that labour would play the game by adhering to the Truce both in letter and in spirit.

Production Drive

By another important Resolution, the Conference dealt with factors, which were holding up industrial production and suggested steps for devising ways and means for removing the bottlenecks. In the sphere of transport, after stressing the importance of making the fullest possible use of the available wagon capacity, the need for greater utilisation of alternative forms of transport by road, river, sea and air to reduce the pressure on the railways was reiterated. The Conference also recommended special assistance for increased production in India of Industrial raw materials like steel, cement, caustic soda, chemicals, etc. as also increased importation of essential raw materials in short supply. Foreign exchange difficulties were to be overcome by stimulating exports and limiting non-essential imports. In a further suggestion, the Conference recommended the planned utilisation of industrial raw materials in short supply. While there may be some justification for attempting rationalised methods of distribution of available supplies of raw materials, having regard to the experience of the working of the controls, it is very doubtful if any such scheme will work. A solution should be sought in exploring possibilities of increasing the overall supplies of such materials. Where the necessary raw materials are available for import, exchange difficulties by themselves should not be allowed to come in the way of our securing the necessary import assistance. Although it may be quite desirable to strike a reasonable balance between our imports and exports, it is at the same time necessary to remember that a too rigorous enforcement of such a policy should not result in delaying or retarding our developmental programme. The country has after all accumulated sufficient foreign exchange resources and we have to subject ourselves to this self-denial of restricting imports because of our not being able to cash those resources immediately. Therefore, a solution of the problem must be sought by arranging for larger releases of foreign exchange resources either from our Sterling credits or as a result of agreements for deferred payments with some of the supplying countries. The question of approaching the International Bank for Recon-

struction and Development for a loan or financial accommodation for our expenditure in foreign countries in the furtherance of our plans for reconstruction may well be examined. By some such temporary procedure we must secure relief from the present position of having to restrict, on currency considerations, imports of essential machinery and equipment as also materials required for our industrial expansion.

The Conference has indeed succeeded in creating the necessary psychological atmosphere for a more dynamic production programme. The next stage would be the setting up of the necessary machinery for implementing the programme and for giving effect to the resolutions and decisions taken at the Conference. Government are understood to be considering proposals for the appointment of an All-India Industries Board with ancillary Regional Boards charged with the task of drawing up an integrated programme. A good deal of preliminary work has already been done. The Advisory Planning Board has formulated the general objectives to be achieved in the various spheres of our economic activities. The new Board will first have to concentrate attention on the determination of the targets and the stages of priority. There must be a Master Plan for the country as a whole with co-ordinated Divisional Plans for each Province or Regional area. The details of the planning in each Province will have to be examined and settled on a regional basis. Towards that end a comprehensive survey of each region, with reference to manufacturing efforts already in existence and the prospects for the future, will have to be first conducted. After a plan for development on such a regional basis is evolved, the same may be worked up by stages. Short-term schemes for which availability of foreign plant and machinery may not present serious difficulties may first be tackled. Although the immediate anxiety should be to increase production of goods in short supply with the least possible delay, long-term requirements of establishing and developing heavy and basic industries in the country should not be lost sight of ; side by side plans for such industries should also mature.

Pattern of Future Development

By far the most important point on which an official announcement is desirable is in regard to the future pattern of our economic development. Notwithstanding the statements made from time to time by responsible Ministers of the Central Government and the recent observations made by the Finance Minister in his Budget speech, the question as to how far private enterprise would be allowed to take part in industrial activities continues to agitate the public mind. Apart from the ideological controversies, the question has to be viewed from the practical aspect. Opinion is gaining ground in all informed quarters that in the existing stage of development in the country and the lee-way to be made up, private enterprise can be relied to fulfil an important role in accomplishing the tasks ahead. A clear enunciation of official policy

in the shape of a statement, having the authority of the Cabinet as a whole, indicating the intentions of Government in regard to this burning question is very desirable. Such a statement of policy is rendered all the more necessary because of reports of un-co-ordinated acts in different Provinces involving attempts at nationalising specific branches of industry or trade. In their recent proposals regarding development of shipping industry, Government have favoured a system of joint ownership, which has been received by the public with mixed feelings. The process, it is reported is likely to be extended to other spheres like civil aviation. The issue whether Government should at all interest themselves in financial and managerial participation in industries at the present juncture is one of real significance. We are not suggesting that there should not be any governmental regulation with regard to industries in the future. They may arm themselves with the necessary powers to exercise such control over industrial activities, as may be in the larger interests of the country ; but ownership, management and operation of industrial undertakings should at this stage be left entirely to private enterprise. I believe I am voicing the feeling generally held in industrial circles that an official statement of policy assuring private enterprise full and fair opportunities in the organisation of industrial and economic activities of the land will go a long way towards quickening the progress of our developmental plans and programme.

Decontrol

Government of India are committed to a progressive policy of decontrol. Many of the war-time controls have been removed. During the year Government took an important decision in the matter of control on food supplies. They have advised the Provincial Governments and the Indian States that the commitments undertaken under the system of rationing and controlled distribution should be progressively reduced. Although some features of the basic plan of definite export quotas from surplus Provinces and fixed import quotas for deficit areas will be continued, the Central Government will no longer concern itself with the task of controlling prices or distribution within the Provincial areas. The decontrol is to be given effect in stages and under the present arrangements, rationing and controlled distribution will continue only in selected urban centres. This has been followed by an announcement a few days back of Government's decision to remove control on cloth. No purpose will be served by discussing at this stage the measure of success which had attended Government's efforts to enforce policy of controlled distribution of essential supplies. It would also be equally futile to speculate as to whether the decision to decontrol is likely to improve the prospects. The Chamber had expressed itself in favour of the handling and distribution of supplies being left to normal channels of trade and cannot, therefore, but welcome the decisions of Government to

do away with the controls. At the same time a heavy responsibility is placed on the industrialists and the merchants. They must realise their proper role and function in society and they must see to it that the removal of control does not let loose forces of an anti-social character. Prices should not be allowed to rise and all efforts should be made to see that available supplies move freely and reach those who need them on terms and conditions which are fair and open. I consider it a solemn duty that the industrial and commercial community of the land should show a full appreciation of their responsibility to the public and even at the risk of some measure of self-denial take all steps to ensure that the policy of decontrol works satisfactorily and does not impose any increased burden or hardship on the common man.

Conclusion

With this meeting my term of office as President of the Chamber ends. I consider this as a very eventful year in my life. I shall always cherish the most pleasant recollections of my work and association with the Chamber. The Presidentship of the Chamber is an office of honour and responsibility. I must again thank you all for having called upon me to undertake this responsibility and for having conferred the honour on me last year. I must on this occasion convey my sense of thankfulness to all my colleagues on the Committee for the uniform courtesy, which they extended to me throughout the year and for the assistance and support which I received from them in the discharge of my duties as President. In particular, I must make special mention of the active help I received from the Vice-President, Mr. Ramdas Kilachand, in the disposal of the day-to-day work of the Chamber. Let me also put on record my appreciation of the services rendered by our Secretary, Mr. A. C. Ramalingam, as also by the Assistants and the other members of the staff. They have all done their duty cheerfully and well.

I now commend the proposition for the adoption of the Report and the Accounts for your acceptance.

Mr. Ramdas Kilachand, Incoming President, then spoke as under :—

Ladies and Gentlemen,

I would at the outset like to convey to you my grateful and sincere thanks for the honour you have done me in electing me as the President of the Indian Merchants' Chamber for the ensuing year. I am quite conscious of the dignity and the responsibilities attached to that office. I also recognise that in the altered political set-up, the Chamber's work and activities assume added importance and significance, as, fortunately, the gulf that existed between the Government and the governed in the bygone days has been bridged. The country has before it an arduous task. We

have attained Freedom but we are still on the threshold of a new era. The National Economy has been battered by the stress and strain caused by the years of war and by the effects of the subsequent unsettled conditions. It requires the concentrated efforts of all sections of the community to pull the chariot of the State out of this slough of despondency. The problems confronting the country at the moment are, to a large extent, of an economic character. As an organisation representing trade, commerce and industry, the Chamber, no doubt, will endeavour to be of service in the solution of these problems. With your goodwill and co-operation and the valuable assistance of the Committee, I hope to be able to discharge the responsibilities attached to the office and to justify the confidence you have reposed in me.

Before I make my observations on some of the questions engaging our attention at the moment, I would like to give expression to my sense of thankfulness to Mr. Ratilal M. Gandhi, our retiring President, for the indulgent treatment which I received at his hands during the course of the last year and for the generous terms in which he has referred to me. Although our contracts and relationship have extended to a period of years, I feel bound to say that our close association during last year in the work of the Chamber has cemented our bonds of friendship. His term of office as President may have ended ; I am, however, confident that I can look forward to his friendly assistance and active co-operation in the discharge of my responsibilities during the current year of my office as President.

General Economic Condition

In the first year of Freedom, the country has been confronted with problems of an unexpected nature. Apart from the repercussions of the political developments, industrial and economic progress was hindered to a large measure by labour unrest. Factors like shortages of coal, raw materials, inadequacy of transport facilities also contributed to the set-back in production. Inappropriately the statutory reduction in weekly working hours from 54 to 48 was another handicap. Our plans for economic and industrial development made little progress, partly because of the undertone of uncertainty caused by the political developments and the taxation policy enunciated at the commencement of the current financial year and also due to the difficulties in securing supplies of capital equipments, production in the supplying countries not being adequate to meet the increased domestic needs and the accumulated demands. It is indeed disquieting to observe that we were not able to make even full use of our existing manufacturing capacity. Jute manufactures were down by 179,500 tons compared to the level of production in the pre-war year. In steel, although there is an installed capacity of 1,260,000 tons, the estimate of production for 1947 was only 875,000 tons. Against a monthly

capacity for production of cement of 173,000 tons, the estimated monthly production is only 112,000 tons. In the sphere of paper manufacture, while our annual capacity is 110,000 tons, we are reported to have turned out only 86,000 tons during the year. It is, however, a matter for some relief that the magnitude of the problem presented by the set-back in production is receiving increased recognition and that a concerted attempt is being made to grapple with the different facets of the problem. The President has already, in his speech, referred to the step taken by the Government of India in convening the Industrial Conference.

" The financial stability of the country is of particular importance to us at this juncture. Although more than two years have elapsed since the termination of hostilities, the expected improvement in the general supply position following the abatement in the war-time demands for supplies has not taken place and the general level of prices continues to rule high. Additions to wages and allowances granted in certain industries in meeting the demands of labour, in the absence of a corresponding improvement in the supply position, intensified the inflationary conditions. In spite of this disquieting situation, it is indeed some relief to be assured that the financial structure of the country is basically sound. The position disclosed in the interim Budget presented in November last justifies the hope that the task of securing balanced budgets in the years to come and the financial aspects of our schemes of post-war planning may not present difficulties of an insuperable character. The interim Budget for the period of seven and a half months beginning from 15th August 1947 estimated the Revenues of the Central Government at Rs. 172.8 crores and the Expenditure at Rs. 197.39 crores. In spite of the fact that the Budget was the eighth deficit budget in a series of consecutive years, the Finance Minister rightly did not find it necessary to cover the prospective deficit with fresh taxes, as the gap was, to a large extent, caused by abnormal factors peculiar to the budget period. Out of the total expenditure, Rs. 22 crores were meant for Relief and Rehabilitation of refugees from East Punjab. There was also an emergency expenditure, which was not expected to be a normal feature, of over Rs. 22 crores in subsidising imported food supplies. The Finance Minister was, therefore, justified in his conclusion that the recurring revenue expenditure of the country could normally be expected to be covered by the existing revenue resources. It may not be out of place here to refer to the need for some re-orientation in the policy and practice of budgeting the annual income and expenditure of the Government of India. Instead of the system of annual budgets, a consolidated budget for a period of, say, 3 or 5 years offers certain advantages. The budget and taxation proposals could also be framed on that basis. There may be many items of expenditure of a revenue character, which, although occuring in a particular period, might well be spread over for a number of years. Particularly at the present junc-

ture, when we have in view ambitious programmes of post-war planning, the procedure of framing a budget with reference to a quinquennial period will be helpful from a practical point of view. The annual financial review may be continued. We are incurring expenditure on evacuee relief and rehabilitation at the rate of over Rs. 3 crores a month. We are incurring expenditure to an equally large extent in subsidising imported food supplies. The Kashmir operations are also costing us substantially. These are items of expenditure of an abnormal character and although considerations of financial rectitude may indicate the prudence of treating them as revenue expenditure of the year, it is quite obvious that, as such expenditure is not likely to recur every year, for purposes of estimating the annual deficit, they may well be spread over, say, for a period of 3 or 5 years. If such a system is adopted, the need for revolutionary changes in the taxation policy and structure at frequent intervals to meet the exigencies caused in a particular year by extraneous factors can well be avoided.

The Honourable the Finance Minister in his interim Budget statement promised to undertake a careful examination of the consequences of the taxation changes introduced early this year. These changes were that :

a special Income-tax of 16.2/3% was imposed on business profits exceeding Rs. 100,000 per annum ; a graduated tax on Capital Gains exceeding Rs. 150,000 from the disposal of capital assets was imposed ; the Corporation Tax was doubled to 2 as. in the rupee ; and the scale of Super Tax was made very steep so as to reach the maximum of 10½ as. in the rupee at Rs. 1.24 lakhs for unearned income and Rs. 1.5 lakhs for earned income.

Although we have at this stage no desire to recall the unpleasant controversy connected with these proposals and their subsequent levy, the least that Government can do at this juncture is to do away with these changes from the beginning of the next financial year. The deleterious effect of the above changes in taxation is already visible in that the step has killed initiative and enterprise, checked industrial development, made capital shy and let loose forces and factors retarding the main purpose of planning and development. The change in the scale of super-tax has particularly reduced savings available for being ploughed back to industry and enterprise. Government should undo the mischief and contribute towards the success of their cherished plan of increasing production and output by relieving trade, commerce and industry from the burden of these obnoxious increases and levies.

Removal of Cloth Control and Policy regarding Exports of Cotton

Government of India last week announced their decision to end the cloth control. While welcoming the removal of the cloth control, I cannot help pointing out that this has, at the same time,

been coupled with certain decisions in the matter of exports of raw cotton, which are likely to have repercussions of a far-reaching character. In the first place, in their anxiety to ensure supplies of raw cotton for the textile industry, Government have restricted exports of Indian cotton to a few varieties. There are other varieties of Indian cotton which are normally not in demand for use by Indian mills. They have also enhanced the export duty on cotton, a step, which is bound to react adversely on our relations with foreign buyers. The cumulative effect of these changes will be that India may permanently lose some of her export markets for cotton and that the Indian cotton grower may find his interests jeopardised by the downward pressure on cotton prices. It is indeed a tragedy that while doing one right thing by removing the cloth control, Government should have, at the same time, dealt a blow to the cotton cultivator and the future of the cotton trade of the country.

Electricity Supply Bill

This piece of legislation had a chequered history. It was first introduced in the old Assembly in 1945. Subsequently, it was expected that certain proposals contained in the Bill would be modified to a substantial extent as a result of the Conference held in Simla in July last. The Bill was, however, re-introduced in the last session of the Constituent Assembly (Legislative) almost in its original form. This has naturally caused a feeling of surprise and concern. Moreover, as the financial principles embodied in the Bill have a general measure of application and may at a future date be extended to other industries, it becomes essential that the scope of the Bill should receive a greater degree of attention. According to the explanation attached to the Statement of Objects, the measure is intended to secure the co-ordinated development of electricity in India on a regional basis and to bring about the establishment of what is generally known as the Grid System in the country. It may be conceded that it is necessary to rationalise the production and supply of electricity in this country. Availability of power at economic rates is an essential pre-requisite for the success of our schemes of reconstruction and development.

The central feature of the legislation is the proposal to set up semi-autonomous Electricity Boards for the purpose of securing co-ordinated development of electricity and to administer the scheme of development enumerated in the Bill. The Boards will have extensive powers including powers to generate and supply electricity as also powers to undertake the manufacture of electrical equipments and materials in the country. All these activities have so far been carried out by private enterprise. As a matter of fact, private enterprise had in the past in the face of odds and handicaps contributed materially in establishing and developing the electric generating industry and in maintaining the necessary channels and services for distribution.

While we would welcome efforts for the control and regulation of the electric supply industry in a manner which would be fair both to the consumer of electricity and the investor, the control should not be in a form as would result in the virtual elimination of private enterprise from the industry as a whole. The proposals embodied in the Bill, it is apprehended, will inevitably lead to the ultimate elimination of private enterprise from this sphere of activity. The rate of return to be allowed on investments in any industry should be an adequate per cent of the capital base which, after meeting all reasonable operating expenses including depreciation and taxes, would be sufficient to pay interest on borrowed capital and to offer the necessary inducement to investors to provide new capital required from time to time for expansion and development. The capital base on which such rate of return is to be calculated should, as is the normal practice, be the total original book cost of the property including Working Capital. Under the provisions of the Bill, the amount of depreciation fund is to be deducted in estimating the capital base on which the rate of return is to be determined. The result would be that investors in electricity supply undertakings would be receiving a diminishing return on their investments. Investment in property should be the real basis for computing return, and depreciation fund is intended for the purpose of holding the value of the investment unchanged. Depreciation should not be taken to represent an amortisation of the investment. Moreover, the amount of Debenture and other secured Loans and Preference Capital are also sought to be excluded from the Capital base. Similarly, the provisions in the Bill relating to depreciation deprive the electricity undertakings concerned of the income derived from the use of the Depreciation Fund.

By far the most controversial provision in the Bill is the one governing the fixation of price to be paid for generating stations and transmission lines to be acquired by the Electricity Board. It is provided that the prices paid will be such a sum as may be certified as the amount properly incurred in the establishment of the station and the transmission lines less depreciation thereon on the scale laid down in the relevant schedule attached to the Bill. The application of the above provision would mean that generating companies which have been in existence for a fairly long period of years would have to surrender their stations and the lines to Government almost free of cost.

The above financial principles would in effect mean a policy of expropriation without compensation. Even in the United Kingdom where Government have as a matter of official policy nationalised utility services, the owners were paid compensation based on market value. It is, therefore, necessary to sound a note of warning that the financial principles which are an integral feature of the Electricity legislation if approved in their present form,

besides crippling the electricity generating industry as such, will cause reactions in the capital market of a very far-reaching character. These principles have some measure of general application and therefore there is the danger that at successive stages they may be extended to other industries which may be brought under control or acquired. What is more, Government will subject themselves to the charge of evading their contractual obligations by varying the rights, privileges and obligations under the existing licences without the consent of the other party to the contract. As this legislation is likely to have repercussions in the whole field of industrial activity, it is earnestly hoped that Government will be good enough to review the position in consultation with the interests concerned and make suitable modifications in the provisions governing financial principles, so that the object Government have in view in securing regulation of electricity generating industry may be achieved in a manner and on a basis which will be fair to both the consumer of electricity and to the investor who has sunk his money in electricity undertakings.

With these words, I second the proposal for the adoption of the Report and the Accounts.

Mr. Bhawanji Arjun Khimji, the Incoming Vice-President, then thanked the Members of the Chamber for having elected him as Vice-President for the new year. He also expressed his gratefulness to the retiring President for the kind sentiments which he had expressed in congratulating him on his election as Vice-President.

In the discussion that followed, several Members participated. Mr. Pranlal Devkaran Nanjee after briefly referring to the able manner in which the retiring President had conducted the affairs of the Chamber during the previous year, stressed the importance of the work and activities of the Chamber in the years to come. Shah Shamji Vallabhji stressed the need for conducting the proceedings of the General Meeting of the Chamber in the vernacular and expressed his sense of gratefulness to the President for the lead given by him in that direction. Mr. Venkatrao Sista among other things emphasised that Chamber should give greater attention to improving the scope and quality of the Journal published by the Chamber. He further suggested steps for raising the standard and the curricula of studies for commercial examinations of the Chamber, particularly in regard to subjects like Salesmanship and Advertising. Mrs. Lilavati K. Munshi indicated the importance of the Chamber having a full-fledged information bureau. She also suggested Chamber taking steps to organising a commercial museum. Mr. Chandulal Sarabhai Modi, after making certain general remarks regarding the activities of the Chamber, suggested that the existing procedure governing co-option of Association Members should be revised as to give the Associations the direct right of choosing their complement on the Committee. Mr. P. M. Chinai,

after a brief reference to some of the issues raised by the previous speakers, referred to the proposal for revising the Constitution of the Bombay Port Trust. In particular he mentioned that the claims of the Chamber for increased representation on the Board of the Bombay Port Trust had received the support of the Board and under the revised Constitution, the Indian Commercial community could reasonably expect larger representation on the Board of the Bombay Port Trust. Mr. Raghavji Vallabhdas, Mr. Kanayalal Khiaram and Mr. M. A. Khan also spoke.

The proposition for the adoption of the Report and the Accounts was then put to the vote and carried unanimously.

The declaration of the results of the election of Office-bearers of the Chamber for 1948 was read by the Secretary, and the same was recorded.

Mr. Ratilal M. Nanavati proposed that Messrs. Devidas Vithaldas & Co., be appointed Auditors of the Chamber for the year 1948 and their remuneration for the work be fixed at Rs. 300.

The same was seconded by Mr. Dahyabhai V. Patel and on being put to vote was carried unanimously.

Mr. Sarabhai Prataprai moved a vote of thanks to the Chair. In doing so, he briefly referred to the problems which engaged the attention of the Committee during the previous year. He particularly acknowledged the sense of duty and responsibility which the President had shown throughout his tenure of office and expressed the hope that Mr. Ratilal Mulji Gandhi would continue to take the same interest in the affairs and activities of the Chamber.

Mr. Dahyabhai V. Patel in seconding the proposal joined in the tributes paid to the retiring President.

Mr. Ramdas Kilachand then put the proposition to the Vote of the House and the same was carried with acclamation.

The meeting then terminated.

CHAIRMEN OF THE INDIAN MERCHANTS' CHAMBER

1907—13 Sir Manmohandas Ramji.
1913—14 Sir Purshotamdas Thakurdas, C.I.E., M.B.E.
1914—15 Sir Fazulbhoy Currimbhoy, C.B.E.
1915—16 Sir Dinshaw Edulji Wacha.
1916—17 Sir Lallubhai Samaldas, C.I.E.
1917—18 Sir Vithaldas D. Thakersey.
1918—19 Sir Chunilal V. Mehta, K.C.S.I.

1919—20	Mr. Jehangir Bomanji Petit.
1920—21	Mr. Lalji Naranji.
1922	Sir Purshotamdas Thakurdas, C.I.E., M.B.E.
1923	Sir Fazulbhoy Currimbhoy, C.B.E. (from 24-2-23 to 3-9-23).
	Mr. Devidas Madhowji Thakersey (from 4-9-23 to 25-1-24).
1924	Sir Manmohandas Ramji.
1925	Sir Phiroze C. Sethna, O.B.E.
1926	Mr. Lalji Naranji.
1927	Mr. Walchand Hirachand.
1928	Sir Shapurji B. Billimoria, Kt., M.B.E. (from 31-1-28 to 20-3-28).
	Sir H. P. Mody (from 30-3-28 to 17-7-28) and
	Mr. L. R. Tairsee (from 28-7-28).
1929	Mr. L. R. Tairsee.
1930	Mr. Hooseinbhoy A. Laljee.
1931	Sir Chunilal V. Mehta, K.C.S.I.
1932	Mr. B. N. Karanjia (till November).
	Mr. Mathuradas C. Matani (November to January).
1933	Sir Manmohandas Ramji.
1934	Sir Mathuradas Vissanji, Kt.
1935	Mr. Manu Subedar.
1936	The Hon'ble Sir Rahimtoola Chinoy, Kt.
1937	The Hon'ble Mr. Govindlal Shivlal Motilal.
1938	Mr. Gordhandas G. Morarjee.
1939	Mr. J. C. Setalvad.
1940	Sir Chunilal B. Mehta.
1941	Mr. M. C. Ghia.
1942	Mr. J. C. Setalvad.
1943	Mr. Haridas Madhavdas.
1944	Mr. Pranlal Devkaran Nanjee.
1945	Mr. M. A. Master.
1946	Mr. Mahomed Husein Hasham Premji.
1947	Mr. Ratilal Mulji Gandhi.

CHAMBER'S REPRESENTATIVES ON PUBLIC BODIES—1947

Bombay Legislative Assembly
Mr. C. S. Patel.

Bombay Port Trust
1. Sir Behram N. Karanjia.
2. Mr. Ramdas Kilachand.
3. Mr. M. A. Master.
4. Mr. J. C. Setalvad.
5. Mr. Madanmohan R. Ruia.

Bombay Municipal Corporation
Mr. Dhirajlal C. Modi.

Senate of Bombay University
Mr. Mangaldas B. Mehta.

Indian Central Cotton Committee
Mr. Chimanlal B. Parikh.

G.I.P. Rly. Local Advisory Committee
Mr. Madhavlal M. Bhatt.

B.B. & C.I. Rly. Local Advisory Committee
Mr. Ratilal M. Nanavati.

Royal Institute of Science Advisory Committee
Dr. K. A. Hamied.

Bombay Development Department Advisory Committee
Mr. Manu Subedar.

Governing Body of the I.M.M.T.S. " Dufferin "
Mr. M. A. Master.

Indian Sailors Home Committee
Mr. C. A. Buch.

Board of Communications
Mr. Keshavprasad C. Desai.

Traffic Advisory Committee, Bombay
Prof. M. P. Gandhi.

Sydenham College Advisory Board
The Hon. Sir Rahimtoola Chinoy.

Ramniranjan Anandilal Podar College of Commerce
Sir Chunilal B. Mehta.

Provincial Transport Authority under the Motor Vehicles Act
Mr. J. C. Setalvad.

Advisory Committee under the Trade Marks Act
Mr. B. S. Dabke.

Committee to co-ordinate the Post-war Development of Bombay
Mr. M. A. Master.

Provincial Industries Committee
Mr. M. A. Master.

Indian Coconut Committee
Mr. K. M. Antia.

Panel of the Railway Rates Advisory Committee

1. Sir Purshotamdas Thakurdas.
2. Mr. Manu Subedar.
3. Mr. Mahomed Husein Hasham Premji.
4. Sir Rahimtoola Chinoy.
5. Mr. M. A. Master.

Provincial Council on Blindness
Mr. Ramdas Kilachand.

Bombay Social Hygiene Council
Dr. M. Venkatarao.

AD HOC BODIES CONSTITUTED AS A TEMPORARY MEASURE FOR PURPOSES CONNECTED WITH THE WAR

Advisory Committee for Coal and Coke
Mr. Thakorelal H. Vakil.

Provincial Food and Commodity Advisory Board
Mr. Ratilal M. Gandhi.

Advisory Committee for Exports of Piecegoods and Yarn
Mr. Haridas Motilal Parikh.

Committee re. Fixation of Prices for Imported Textiles
Mr. Chimanlal B. Parikh.

Greater Bombay Scheme

Mr. M. A. Master.

Advisory Committee to select Sites for Cinematograph Theatres in the Greater Bombay Scheme

Mr. P. M. Chinai.

Bombay Port Committee

Mr. Ratilal Mulji Gandhi.

Pilferage Committee for Bombay Port

Mr. B. S. Dabke.

Telephone Advisory Committee

Mr. Ratilal M. Gandhi.

Bombay Food Advisory Council

Mr. J. C. Setalvad.

TRUSTEES OF THE CHAMBER

Mr. Gordhandas G. Morarji.
,, J. C. Setalvad.
Seth Chatrabhuj Gordhandas Soonderdas.
Sir Behram N. Karanjia.
Mr. Pranlal Devkaran Nanjee.

OFFICE-BEARERS FOR 1948

President :

Mr. Ramdas Kilachand.

Vice-President :

Mr. Bhawanji A. Khimji.

Members of the Committee (Elected) :

1. Mr. Ratilal M. Gandhi.
2. Mrs. Lilavati K. Munshi.
3. Mr. R. G. Saraiya.
4. Mr. Dahyabhai V. Patel.
5. Mr. Nagindas T. Master.
6. Mr. Anandji Haridas.
7. Mr. Someshchandra M. Nanavati.
8. Mr. Vijaysinh Govindji.

9. Mr. Panalal M. Chinai.
10. Mr. B. K. Setalvad.
11. Mr. Murarji J. Vaidya.
12. Mr. A. P. Sabavala.
13. Mr. Dewji Rattansey
14. Mr. Ratanchand Hirachand.
15. Mr. Sarabhai Prataprai.
16. Mr. Mohanlal A. Parikh.
17. Mr. C. H. Divanji.
18. Mr. Dhirajlal N. Shroff.
19. Mr. Jayantilal R. Trivedi.
20. Mr. Mahomedali D. Nasser.
21. Mr. Navin H. Mapara.
22. Mr. Padmakant J. Shroff.
23. Mr. Haridas M. Parikh.

Co-opted : (3 individuals)

1. Mr. Mahomed Husein Hasham Premji.
2. Sir Ardeshir R. Dalal.
3. Mr. Dharamsey M. Khatau.

(20 Associations) :

1. Africa & Overseas Merchants' Chamber (Mr. Amritlal K. Kanji).
2. Association of Indian Importers of Dyestuffs (Mr. K. H. Kabbur).
3. Bombay Cotton Merchants' & Muccadams' Association Ltd. (Mr. Fatechandji Jhujhunwalla).
4. Bombay Iron Merchants' Association (Mr. A. A. Jasdenwalla).
5. Bombay Rice Merchants' Association (Mr. Dewjee Tokarsee Mooljee).
6. Bombay Shroff Association (Mr. Shantilal M. Shah).
7. Chamber of Income-tax Consultants (Mr. Bhogilal C. Shah).
8. Grain & Oilseeds Merchants' Association (Mr. Vallabhdas Peraj).
9. Indian Insurance Companies' Association (Mr. Babubhai K. Shah).
10. Indian Stock Exchange, Ltd. (Sir Chunilal B. Mehta).
11. Seeds Traders' Association Ltd. (Mr. Mangulal Tricumlal).

12. Silk & Art Silk Mills' Association Ltd. (Mr. Ramdeo A. Podar).
13. Association of Electrical Undertakings, Bombay Province (Mr. N. C. Javeri).
14. Bombay Kariana, Colour & Chemical Merchants' Association (Mr. Khatau Vallbhdas).
15. Oil Merchants' Chamber (Mr. Vallabhdas Vasanji).
16. Shri Mahajan Association Ltd. (Mr. Venilal N. Patwa).
17. Association of Merchants & Manufacturers of Textiles Stores & Machinery (*India*) (Mr. S. H. Bhagwati).
18. Indian National Steamship Owners' Association (Mr. S. N. Haji).
19. Bombay Grain Dealers' Association (Mr. Khimji Madan Bhujpuria).
20. Bombay Country, Fancy & Grey Piecegoods Merchants' Association (Mr. Raghavji Vallabhdas).

Ex-officio :

1. Mr. Chatrabhuj Gordhandas (Trustee of the Chamber)
2. ,, Gordhandas G. Morarji ,,
3. ,, J. C. Setalvad ,,
4. Sir Behram N. Karanjia ,,
5. Mr. Pranlal Devkaran Nanjee ,,
6. ,, Chhotabhai S. Patel (Bombay Legislative Assembly)
7. ,, Madanmohan R. Ruia (Bombay Port Trust)
8. ,, M. A. Master (,,)
9. ,, Manu Subedar (Bombay Dev. Dept. Adv. Committee)
10. ,, Mangaldas B. Mehta (Bombay University Senate)
11. Sir Rahimtoola M. Chinoy (Sydenham College Adv. Committee)
12. Mr. Chimanlal B. Parikh (Indian Central Cotton Committee)
13. ,, Ratilal M. Nanavati (B.B. & C.I. Rly. Local Adv. Committee)
14. Dr. K. A. Hamied (Royal Institute of Science)
15. Prof. M. P. Gandhi (Traffic Advisory Committee)
16. Mr. K. C. Desai (Board of Communications)
17. ,, C. A. Buch (Indian Sailors' Home Committee)

Mr. J. K. Mehta (*Honorary Adviser*)
,, A. C. Ramalingam (*Secretary*)
,, K. P. Daru (*Assistant Secretary*)

LIST OF JOURNALS AND PERIODICALS RECEIVED IN THE LIBRARY OF THE INDIAN MERCHANTS' CHAMBER

Quarterly

1. *Journal of the Scientific and Industrial Research, New Delhi.
2. The Journal of the Indian Institute of Bankers.
3. Round Table.
4. Journal of the University of Bombay.
5. Indian Journal of Social Work.
6. *Indian Quarterly, New Delhi.

Monthly

1. *Monthly Bulletin of Statistics issued by the League of Nations.
2. London Chamber of Commerce Journal.
3. Monthly Journal of the Liverpool Chamber of Commerce.
4. Monthly Journal of the Manchester Chamber of Commerce.
5. Monthly Journal of the Bradford Chamber of Commerce.
6. The Commercial Review, Allepey.
7. Southern India Commerce.
8. *National Geographical Magazine.
9. Mercantile Guardian.
10. *International Labour Review.
11. Bombay Labour Gazette.
12. Monthly Sea-borne Trade Return of British India.
13. Monthly Statistics of Cotton, Shipping and weaving in Indian Mills.
14. Raw Cotton Trade Statistics.
15. Joint Stock Companies.
16. *Modern Review.
17. *Asia.
18. Indian Concrete Journal.
19. Monthly Review of the Lloyds Bank.
20. Monthly Review of the National City Bank of New York.
21. Monthly Review of the Federal Reserve Bank.
22. Mysore Economic Journal.

* Subscribed for by the Chamber.

23. Tisco Review.
24. Fortune (U.S.A.).
25. Safety News.
26. *Indian Textile Journal.
27. *Indian Home.
28. The Ceylon Trade Journal.
29. Journal of the Motion Picture Society.
30. Guaranty Survey.
31. Marketing in India.
32. Austral News.
33. American Exporter.
34. United India.

Fortnightly

1. Insurance Review.
2. *Income-tax Report.
3. Journal of the Joint Stock Companies.
4. Public Information Series.

Weekly

1. *Economist.
2. *New Statesman and Nation.
3. *Commerce, Bombay.
4. *Indian Finance.
5. Indian Trade Journal.
6. Foreign Commerce Weekly (U.S.A.).
7. Industrial and Labour Information (I.L.O.).
8. *Eastern Economist.
9. *Bombay Government Gazette.
10. *Gazette of India.
11. Commerce and Industry.
12. *Roy's Weekly.
13. *Indian Social Reformer.
14. The Financial News.
15. *Kesari (Bi-Weekly).
16. Annalist.
17. *Capital.
18. *Time.

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* Subscribed for by the Chamber.

19. *Life.
20. China Information Bulletin.
21. *Forum.
22. Harijan.

Occasional

1. Central Legislative Assembly Debates.
2. Council of State Debates.
3. *Publications of the International Labour Office.
4. Indian Tea Statistics.
5. Indian Coffee Statistics.
6. Indian Agricultural Statistics.
7. Wholesale Price of certain Staple Articles of Trade at Selected Stations in India.
8. *Publications of the League of Nations.
9. Bulletin issued by the United States Bureau of Labour Statistics.
10. Bulletins issued by the Government of Bombay, Department of Industry.
11. Bulletins issued by the Government of Bombay, Agricultural Department.
12. Bulletins issued by the Council of Agricultural Research Commonwealth of Australia.
13. Reports of several Chambers of Commerce and other Commercial Associations.
14. Reports of Tariff Board.
15. Publications issued by the Department of Commercial Intelligence and Statistics.

Gujerati Periodicals

1. Khetwadi Vignan.
2. Prasthan.
3. Majur Sandesh.
4. Harijanbandhu.

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* Subscribed for by the Chamber.

REPORT OF THE COMMITTEE

OF

THE INDIAN MERCHANTS' CHAMBER

For the year 1947 presented at the 40th Annual General Meeting of the Chamber held on 29th January 1948

Your Committee have pleasure in presenting the 40th Annual Report of your Chamber. During the course of the year 43 meetings of the Committee and over 75 meetings of the various Sub-Committees were held, the work done being of a varied and important nature.

The subjects dealt with by your Committee have been grouped under the following main heads :—

(1) Transport and Communications (Page No. 1)
(2) Finance, Tariff and Taxation (Page No. 25)
(3) Trade, Industrial and Labour Legislation (Page No. 42)
(4) General Trade and Industry (Page No. 53)
(5) General (Page No. 89)

I. TRANSPORT AND COMMUNICATIONS

Revision of the Port Trust Acts

The Committee in a letter dated 10th February 1947 addressed to the Bombay Port Trust submitted their views on the subject of the revision of the Port Trust Acts, a brief summary of which is as follows:—

The Board of the B.P.T. consisted of 22 Trustees, of which 13 were elected and 8 nominated and a Chairman appointed by Government. The Committee's main objection to the distribution of representation was in respect of weightage given to European commercial interests as against the Indian commercial interests which were not adequately represented. It was felt that the process of nomination as above militated against the Indians securing a clear majority in the Port Trust Board. The weightage given to European commerce was the heritage of the past political subordination of the country, and there should now be a definite break with the past with regard to the policies and practices accepted in such matters. Even in the past, the Committee were of the opinion, the weightage given to European commerce was artificially created on the plea that a large amount of seaborne trade of the port was shared by European houses. In trade, such European houses were merely intermediaries and trade was carried on by the nationals of India who dserved a majority of representation on the Board. To secure fair representation for the various trade interests concerned the proper course would be to recognise the leading Indian Chamber of Commerce at the Port as the main medium of representation and to leave it to that Chamber to make such internal adjustments and arrangements as might be necessary to ensure that all important branches of trading activities in the port were reflected in the persons selected by that body for purposes of representing it on the Board of the Port Trust. They emphasised that for purposes of representation of commerce in public bodies, it would as a general rule be desirable to leave it to the leading Indian Chamber of Commerce. Briefly, they emphasised that special representation to British commercial interests should now definitely end, that representation of Indian commercial interests should be through the medium of the leading Indian Chamber of Commerce in a port and in Bombay through the Indian Merchants' Chamber and all seats released by the discontinuance of the representation to the Bombay Chamber of Commerce, so far as Bombay port was concerned, should be allotted to the Indian Merchants' Chamber. Further, the

seats to be filled by nomination by Government should be reduced to the minimum.

Representation of Indian Commercial Interests on the Board of the Bombay Port Trust

The Port Trust, in their letter dated 4th November, referred to the previous correspondence on the subject and desired to know if the Chamber had any fresh views to offer on the subject having regard to the subsequent political developments resulting in the partition of the country. The Committee in their reply dated 19th November pointed out that, while expressing their considered views on the subject at the previous occasion, they had anticipated the need for a change in the policy following the transference of political power and that they adhered to the views already expressed namely that representation on public bodies should fundamentally be confined to the nationals of the country and that representation to Indian Commercial interests should be through the medium of the main Indian Chamber of Commerce at the different port centres and in Bombay through the Indian Merchants' Chamber.

Setting up of a Shipping Board

The Government of India had desired the views of the Committee of the Federation of Indian Chambers of Commerce and Industry on the tentative proposals regarding the setting up of a Shipping Board as provided in Section 9(2) (b) of the Control of Shipping Act, 1947, which was passed during the last session of the Central Legislature, to advise Government on the question of regulating shipping rates in accordance with Section 6 of the Act. Government had provided that shipping interests should not have representation on the Board because it would be difficult to secure representatives of the shipping companies who could serve as whole-time members; (2) the presence of a member representing shipping interests would create complications in the work of the Board *vis-a-vis* the various shipping companies and would militate against the smooth working of the Board. The Committee in a letter addressed to the Federation strongly objected to the proposal to exclude representatives of shipping interests from the Board. They saw no justification for the view taken by Government that persons representing shipping interests ready to work objectively and devote their whole time to the work of the Board would be difficult to obtain. During the war, business houses had loaned the services of their Executives to the Government of India and it was accepted on all hands that they discharged their

duty most efficiently and with a high sense of duty. They, therefore, felt that the proposal to exclude representatives of shipping interests from the Board was entirely unwarranted and suggested that as recommended by the Select Committee on the Shipping Control Bill, the need for including representatives of shipping interests on the Board should be impressed on the Government of India.

Prize Ships

In a letter dated 3rd October addressed to the Government of India, the Committee referred to the fact that during the course of the war operations, ships belonging to the enemies were seized in the Indian ocean and enquired if some of the prize ships seized by the allies had been allotted to India. They requested that particulars of such ships might be sent for their information. In case no ships had been allotted they desired to know if Government had pressed the claims of the country in the above direction.

Government in their reply dated 20th October 1947 mentioned that the question had already been taken up with His Majesty's Government, but no final decision had so far been arrived at in the matter.

Enquiry into the S.S. "Ramdas" Tragedy

In a letter dated the 10th September addressed to the Government of India, the Committee referred to the question of instituting an enquiry, under the Merchant Shipping Act into the disaster connected with the S.S. "Ramdas" near about Bombay. The tragedy involved a loss of a number of precious lives and there was a report in the press to the effect that Government contemplated a full enquiry into the circumstances connected with the disaster. The Committee expressed the hope that Government would be pleased to give this matter their early attention and order an enquiry without further loss of time.

Special Facilities for Weighing and Examining Silk and Art Silk Fabrics in the Docks

The Silk Merchants' Association, Bombay, had represented to the Collector of Customs that the procedure followed at present in the Docks with regard to the weighing and examining of silk and art-silk piecegoods in the General Shed put the consignees to much inconvenience as also to financial losses, as such goods bore high prices and would deteriorate in value due to the rough handling. The Committee in a letter dated the 14th February addressed to the Collector of

Customs referred to the above matter and suggested that with a view to eliminate delays experienced by the trade in getting the consignments cleared, as also the possibility of the goods being subjected to rough handling, the request of the Association for restoring the pre-war facility of a separate shed and special examiners and appraisers for silk and art-silk piecegoods should be acceded to.

Storage Facilities for Cotton

The Committee in their letter dated the 18th January addressed to the Bombay Port Trust referred to the question of storage of cotton in Jathas and the consequent danger arising out of such storage of cotton in kutcha built structures, which were susceptible to fires. They pointed out that the war gave rise to the practice of storing cotton in temporary jathas all the year round. In this connection they referred to the complaints of loss and danger resulting from such storage from the Bombay Fire Insurance Association as also from cotton merchants, emphasising the need for better storage facilities for cotton. They urged that with a view to safeguarding the public and the trade, the Port Trust should take upon themselves to increase the present godown facilities by building additional sprinklered godowns of fire-resisting construction.

The Port Trust in their reply dated 28th March 1947 informed the Committee that they were already in communication with the Government of Bombay regarding the release of godowns which had been requisitioned and expressed the hope that as soon as the 16 godowns in occupation by Government were released, the storage position so far as cotton was concerned would improve considerably. In view of the difficulties of securing building materials, the construction of sprinklered godowns was difficult.

Occupation of the Rest Shed at Cotton Depot

The Committee in their communication dated the 30th April addressed to the Bombay Port Trust referred to the issue of tenders for the occupation and use of the Rest Shed at Cotton Depot, and stated that as the shed was at present being used as a resting place by labourers, same should not be taken away for storage of cotton or any other purpose. Committee also raised the question of tenders which were issued by the Land Manager in that connection. They referred to the correspondence with the Port Trust in connection with the leasing of lands, wherein the Port Trust had assured that a Special Officer had been appointed to revise the schedule of rates in different areas and that each case would be

determined on merits and wherever possible they would dispense with the system of auctioning lands. In the context of such assurance, the proposal to invite tenders for the Rest Shed was not quite fair. They suggested that the proposal for letting the Rest Shed and for inviting tenders for the purpose should be abandoned.

The Port Trust in their reply dated 26th May observed that in view of the acute shortage of accommodation for storage of cotton, the Board of Trustees had after careful consideration decided to let the Rest Shed for the purpose of the storage of cotton temporarily, and that the question of allocating the Rest Shed for the use of labourers would be reconsidered when the demand for godowns became easier.

Sheds in the Grain Depot

In a letter dated 6th October addressed to the Bombay Port Trust, the Committee referred to the difficulty experienced by Trade Interests in getting storage accommodation in the sheds in the grain depot. They referred to the fact that the process of derequisitioning the sheds was at present progressing and hoped that the Port Trust would adhere to the accepted policy of offering these derequisitioned sheds to the original lessees or tenants. In this connection they referred to the fact that the number of godowns in the sheds were of a fairly large size and those who took them had surplus of accommodation and sometimes they sublet the same. They requested the Port Trust to examine the feasibility of the godowns being split into units of smaller sizes so that a larger number of exporting and importing interests might have the necessary storage facility. They further suggested that as a matter of general policy the Port Trust should see that the godowns and the sheds were allotted mainly to such interests who were directly engaged in the import-export trade.

Congestion in the Docks Transit Sheds

The Committee had addressed the Bombay Port Trust (*vide* Annual Report for 1946, p. 177) in regard to the difficulties experienced by merchants arising out of the arrangements for the storage of cargo in the Docks resulting in the merchants experiencing difficulties in tracing their consignments. The Port Trust in their reply dated 10th July 1947, forwarded to the Committee a copy of the report of the Docks Manager, Bombay Port Trust, wherein certain proposals were made for levying deterrent import charges, with a view to relieving the present abnormal congestion in the sheds. The reason, it was pointed out in the report, for the abnormal

congestion in the transit sheds was due mainly to the reluctance of consignees to take delivery of the consignments. It was, therefore, recommended that deterrent charges should be imposed on importers, who used the transit sheds as storage space for their cargo, and further suggested that the free days allowed for imported cargo should be reduced from 6 to 5 and that after the expiry of the free days, cargo should be allowed six single extra fees instead of 12 as at present and thereafter double extra fees be levied. The Committee in their letter dated 31st August 1947 addressed to the Port Trust pointed out that the reasons given in the report of the Docks Manager for the existing congestion in the Docks, did not fully reflect the correct position, as there were many other contributory factors leading to the abnormal congestion which were beyond the control of the importers concerned. It was further added that there was no justification for implementing the proposals of the Docks Manager as the present position of abnormal congestion was of a temporary nature resulting from large volume of imports from abroad, which position could reasonably be expected to get adjusted with the enforcement of the new control policy.

Direct Booking Facility of Vegetable Oil Tank Wagons to Grain Depot Sheds of the B.P.T. Railway

The Committee in their communication dated 17th April 1947 addressed to the Bombay Port Trust, requested that facilities for direct booking of tank wagons containing vegetable oils to the sheds in the Grain Depot of the Port Trust Railway should be afforded in view of the fact that the Government had favoured the export of oil in preference to oilseeds. Such a facility would avoid the double haulage, first to the other sidings and then to the port for export. It was, therefore, urged that direct booking facilities of vegetable oil tank wagons to the Grain Depot sheds of the Port Trust Railway would prove of great assistance to the trade concerned.

The Port Trust in their reply dated 23rd April 1947 informed the Committee that the question of the storage of vegetable oils in the shed at the Grain Depot was being examined and that if such storage was possible, Port Trust would have no objection in granting such facilities.

The Port Trust Railway in a reply dated 17th April informed the Committee that the question of storage of vegetable oils in the sheds at Grain Depot was under consideration and if and when that was agreed to, there would be no objection to wagons containing vegetable oils being booked direct to the Depot.

Oil Storage Facilities at the Docks

The Committee in their communication dated the 29th April addressed to the Bombay Port Trust, referred to the policy adopted by Government recently in regard to preference being given to exports of oil as against exports of oil-seeds and drew attention to the advisability of providing oil storage facilities in the docks, as large movements of oils into the Docks prior to their subsequent export were expected in the near future. They requested that their suggestion might be examined and necessary steps taken to provide such facilities.

The Port Trust in their reply dated 26th May 1947, stated that they had carefully investigated the matter and had come to the conclusion that at present it was not opportune to make any definite plans for installing tanks in the Docks for the bulk storage of oil. The main difficulties in regard to this question were that the shipping companies were not likely to agree to take quantities of oil in their ballast tanks unless facilities for discharge and storage in bulk were provided at the other end, that the provision of bulk storage by the Port Trust for all the companies jointly would create complications resulting from differentiation in the quality of oil, etc. They requested the Committee to furnish them with particulars regarding the varieties of oils to be stored, the peak figures of storage expected and the quantities to be exported in one ship. It was stated that on receipt of the information the question would be further considered.

Handling of Ammunition, Explosives and Dangerous Cargoes at Dock Berths—Act X of 1947

The Committee in their communication dated 17th April 1947 addressed to the Government of India referred to Act X of 1947 exempting operations affecting ammunitions, explosives and inflammable substances from restrictions attached to such operations. It was, however, pointed out in this connection that Government did not hold themselves responsible for the risk or damage resulting from the handling of ammunitions or explosives in the dock berths. It was seriously suggested that Government should own responsibility and give due compensation in cases of loss and damage suffered as a result of such exemptions under the above Act. They also suggested that Government should publish notifications in advance warning the public against the danger of such operations.

Government in their reply dated 13th October 1947 observed that stringent precautionary measures were enforced

at the Ports and a warning was issued to the public sufficiently in advance whenever ammunition and other dangerous cargoes were handled in contravention of normal Port Rules. They, therefore, did not consider it necessary to amend the Explosive (Temporary Provisions Act), 1947.

Exports to Kathiawar

The Committee had carried on correspondence with Government in the above connection (*vide* Summary Report). In a letter dated the 20th January 1947, the Committee again drew the attention of Government to the increasing difficulties experienced by the exporters in respect of exports by sea to Kathiawar as, it was understood, no licences for exports to Kathiawar were being issued. They enquired if there was any change in the policy governing the exports to Kathiawar. The movement of goods by rail, they pointed out, was being freely permitted and there was no justification why exports of goods by sea should not be allowed. In this connection, they referred to the presumption that the control on exports by sea was being strictly executed with a view to prevent the diversion of goods to unauthorised foreign destinations, and stated that the object could be achieved by imposing stringent measures, for such illegal practices. Apart from the difficulties of the trade interests, the control of exports was causing hardships to the countrycraft trade. They, therefore, urged that Government should review the position and allow the exports to Kathiawar by sea more freely.

Government in their reply dated 3rd March assured the Committee that except for a few specified commodities, exports had been allowed in cases of all commodities mentioned in the schedule concerned, dated 3rd December 1946. They desired to have information regarding cases in which export licences had been refused.

In a letter dated the 28th November 1947 addressed to the Export Trade Controller, the Committee referred to the difficulties experienced by Messrs. National Industrial Works in securing licences for exports to ports of Kathiawar for their manufactures of buildings' fittings articles. Uptil now they were able to despatch their goods by Railways, but as a result of very low priority having been given to such articles in the new priority list it was very difficult for them to obtain booking for their goods. The Committee, therefore, requested the Export Trade Controller that their case should be examined with a view to give them increasing facilities for sending their goods to ports in Kathiawar by sea where there was a great demand for such goods.

Free Days allowed to Consignees

In a letter dated 18th October addressed to the Bombay Port Trust, the Committee referred to the difficulties experienced by importers as a result of their not being able to enjoy the facility of the full period of "Free days" under the rules governing storage charges on goods in Docks because of the prevailing conditions of congestion in the Docks. It was provided that the general landing date should be counted as one of the free days; but the Committee pointed out that many a time part of the cargo was discharged long after the general landing date for a particular vessel's cargo. Moreover, it was very difficult for the consignees to locate their goods in the existing conditions of congestion prevailing in the Docks with the result that they had to lose the advantage of free period and pay extra charges prescribed under the rules. With a view to eliminate the chances of such hardship the Committee suggested that the free period should be counted from the date on which the entire cargo in a vessel was discharged.

The Port Trust in their reply dated 7th November 1947 observed that the landing rules permitted an extension of the 'Free Period' in cases when the entire consignments had been landed subsequent to the general landing date and when delivery had been applied for, on completed documents, for portions of consignments which might have been landed subsequent to the expiry of the free period. It was, therefore, not possible to modify the existing landing date rules.

Strike in the Bombay Port Trust Docks

In a letter dated 28th November addressed to the Bombay Port Trust, the Committee referred to the recent strike of the workers in Bombay Port Trust Docks and the resultant difficulties experienced by merchants in clearing the consignments. They pointed out that as a result of the strike, the work of clearing the goods from the Docks had come to a standstill and in the meanwhile free days allowed for clearance in respect of consignments landed immediately before the strike had expired. They, therefore, urged that the period beginning with the commencing day of the strike and ending with at least two days following the end of the strike should be treated as *dies non* period.

Interview with the Hon'ble Dr. John Matthai, Member for Transport and Railways, Government of India

The Committee met the Hon'ble Dr. John Matthai, Member for Transport and Railways, Government of India,

on Tuesday, the 10th June 1947, when the following questions were discussed:

(1) Increase in rates and fares;
(2) Rates structure;
(3) Management of Railways;
(4) Railway Finances;
(5) Regrouping of Railways;
(6) Transport shortage;
(7) Complaints about Priorities;
(8) Amenities for passengers;
(9) Safety measures; and
(10) Revision of the constitution of the Port Trusts.

Indian Railway Enquiry Committee

The Committee submitted a detailed representation to the Indian Railway Enquiry Committee making several suggestions regarding ways and means of securing improvement in the earnings of railways by economies in expenditure on Railway Administration and by other means. After tracing the recent trends in the financial and revenue position of the railways, they indicated the need for a reduction under various items of charges such as interest, operating expenses, fuel cost, administrative expenses, etc. They also recommended the reorganisation of the Audit and Accounts Departments of the Railways with a view to avoiding duplication of expenditure. Similarly, all the railways having passed on to the management of the State, they suggested that the existing Clearing Accounts organisation need no longer continue. Further a scientific system of amalgamation and re-grouping of the railways would, besides securing greater efficiency and uniformity in administration and management, result in avoiding duplication of administrative offices, passenger terminals, goods, goods yards, workshop facilities, etc.

Dealing with matters relating to the organisation of the railways and improvement of the standard of the services, they laid special stress on the thorough re-orientation in the rating policy and structure. They also reiterated the need for the appointment of a statutory Railway Rating Tribunal with full powers to deal with all matters relating to railway rates. Similarly, the need for greater contact between the railways and the users was emphasised and suggestions were made for enlarging the scope of activities of the Railway Advisory Committees and for organising at frequent intervals closer contact meetings between commercial interests and the railway administration.

Mr. Ratilal M. Gandhi, President, Mr. Ramdas Kilachand, Vice-President, and Mr. Ratilal M. Nanavati accompanied by Mr. A. C. Ramalingam, Secretary, met the members of the Railway Enquiry Committee on Thursday, the 21st August 1947 and gave oral evidence supplementing the various suggestions as above made in the course of the written memorandum.

Transport Difficulties

The Committee in their communication dated the 12th March addressed to the B.B. & C.I. and G.I.P. Railways drew attention to the continued difficulties in regard to securement of wagons for transport of necessary merchandise and articles of necessity to up-country centres. They also referred to the various representations made by the Chamber in the past in regard to these difficulties which have continued since the war began. They regretted that uptil the time of writing nothing was done by the Railways to give relief to the trading community in the matter of facilities for booking of goods to up-country stations. They also recalled the various assurances given by the railways at different times that relief would be forthcoming as soon as normal conditions were restored. It was mentioned that in spite of such assurances conditions had worsened and it had now become unbearable for the commercial community to remain silent over the continued apathy of the railways to meet the just demands of the public concerned. The difficulties arising out of the closure of booking at Wadi Bunder and Carnac Bunder were brought to the attention of the railways. The hardships suffered by the Kariana trade especially were referred to and the urgent necessity for revising the present method and procedure of booking at those booking stations was stressed.

The G.I.P. Railway in their reply dated the 7th April regretted that in spite of their best attention given to these difficulties, they were continuing to suffer shortage of necessary wagons. It was, however, maintained that essential foodstuffs whenever offered for booking were accepted according to railway's priority list and there was not much difficulty in regard to the same. As regards art silk yarn, textile stores and electrical goods, they were not in a position to give any assurance regarding the easing of booking situation for those articles. The question concerning booking of " smalls " was receiving their best attention. Any serious difficulties in regard to booking of essential goods should be referred to the Regional Controller of Railway Priorities, who had consented to take special care in cases of such hardships.

The Committee also addressed on the 25th April the Railway Board drawing their attention to the above difficulties and stressing the need for immediate relief to the commercial community in the matter of wagon facilities. It was put forward that the Railways should not content themselves with issuing priority lists from time to time, but it was their duty to see that at least once in a week booking could be obtained even for articles placed in the last class of the priority list. They also referred to the Class III under which general industrial utility goods were expected to move. It was regretted that booking of such goods had remained closed for long periods and the trading community were suffering as a result of the same by the accumulation of merchandise which were expected to be disposed of in upcountry centres. They also brought to the notice of the Board that limitation of 7 lbs. wt. in regard to movement by parcel trains should be revised to at least 1 maund.

Since the Committee continued to receive serious complaints from various trade interests in regard to the transport facilities in general and the enforcement from the 15th April of a new priority list under which some items of an essential character were allowed a much lower rating than hitherto, they, in a telegram dated 8th May 1947 addressed to the Railway Board, drew their attention to the deteriorating transport position and urged that energetic steps should be taken by immediately implementing measures which would secure speedier movement of goods. They emphasised that the system of railway priorities brought into force during the war should be now dispensed with. They particularly referred to the drastic changes in the new priority list whereunder the movement of many articles of an essential character like food articles on private account was given a very low priority and suggested that the priority classification should be re-examined and movements of essential articles be graded up.

The Government of India in their letter dated 31st May 1947 observed that it was a fact that there was no improvement in the transport situation, the main reason being the expected improvement in turnrouhd of wagons not materialising and the outbreak and continuance of civil disorder in various parts of the country. In regard to the priority list it was mentioned that the same was enforced from the 1st of January 1947, in anticipation of improvement in the transport situation which unfortunately did not materialise, and that, therefore, it was decided to revert to a priority list of 6 clauses with the result that the current priority schedule was introduced with effect from 1st April 1947. It was added that so long as the supply of Railway Transport continued to be in-

sufficient to meet the essential requirements in full, it was not practicable to permit all articles of merchandise to be booked by Rail at stated intervals as suggested by the committee. With regard to booking difficulties it was mentioned that the Railways were being directed to examine the position in that respect and to take such action as might be found necessary. Government fully appreciated the hardships caused to the public generally, and to the commercial community in particular and were anxious to do all that was possible to improve matters.

Supply of Wagons to Stations North of Navsari

In a letter dated 23rd July 1947 addressed to the B.B. & C.I. Railway, the Committee drew attention to the difficulties experienced by the Indian Cotton & Oil Mills, Navsari, in the matter of obtaining wagon facilities for the movement of their goods and supplies required by them. Their efforts to secure wagons since the 11th April 1947, did not appear to have met with success. The Committee suggested that some arrangements should be made at periodical intervals for movement of such goods from manufacturing ends to consuming centres so as to relieve to some extent the scarcity of supplies in the consuming centres as also to relieve the manufacturers from the difficulties resulting from the piling up of stocks on hand.

Railway Facilities

Messrs. Ramanlal & Sons complained to the Committee that at Sevalia Station on the B.B. & C.I. Railway there was no facility accorded in the shape of a platform nor a shed which could give protection to cotton bales in the rainy season. They further pointed out that there were no connecting trains from Anand for passengers going from Bombay on Anand-Godhra line. The Committee referred both these difficulties to their representative on the Local Advisory Committee of the B.B. & C.I. Railway for the matter being taken up with that Body.

The representative duly took up these matters at a meeting of the Local Advisory Committee when it was pointed out that provision of a platform with a shed was included in the scheme of remodelling the yard at the Sevalia Station. With regard to the other complaint, they admitted the inconvenience caused to passengers by the long waiting involved at Anand junction, but regretted that it was not possible at present to effect any improvement by putting an additional train service on the Anand-Godhra section, due to shortage

of both coaching stock and locomotive engines. It was mentioned, however, that the urgency of providing an additional train on the section was recognized and that earliest opportunity would be taken to make this facility available.

Movement of Imported Metal Consignments from Docks to Upcountry Centres

The Committee in a letter dated the 18th January addressed to the Regional Controller of Railway Priorities referred to the changes in priority list effected since 1st January under which the transport of imported metal consignments from the dock to up-country stations was placed under Class III instead of Class I as in the previous list. This change, they pointed out, would, apart from causing delay, involve the importers in further hardships in the form of payment of wharfage charges that might be incurred due to their inability to clear the consignments in time due to lack of godown accommodation in the city. The Regional Controller in his letter dated the 22nd January observed that consignments of imported metals which required direct railing from the docks to up-country centres continued to be moved under Class I(b)(vii) of the priority list, and that only the movement of "smalls" which were not dealt with directly from the docks was placed under Class III.

Transport of Wet and Dry Dates

In a letter dated the 18th January addressed to the Regional Controller of Railway Priorities, the Committee referred to the representation addressed to him by the Bombay Kharek Bazar and Mewa Merchants' Association in regard to the movement of dates under the new priority list, whereunder it was presumed the traffic in dates would be relegated to non-priority traffic Class IV. They pointed out the importance of dates as an article of food in the existing conditions of food scarcity as also its perishable nature, and urged that the movement of dates should be given a higher priority. The Regional Controller in his reply dated the 22nd January informed the Committee that the movement of wet dates was upgraded to Class II. The movement of dry dates, it was added, continued to be placed under Class IV.

Supply of Tank Wagons for the Movement of Vegetable Oils

Committee in their letter dated 20th March 1947 addressed to the G.I.P, and the B.B. & C.I. Railways drew attention to the high priority given for the movement of mineral oils as a result of which little consideration was be-

ing given by the Railways for movement of vegetable oils such as cotton seed oil, groundnut oil, castor oil, etc. It was pointed out that under the present scarcity and shortage of vegetable oils in the country, the policy of the railways in giving lower priority for the movement of such vegetable oils had resulted in grave deficits in various consuming centres. The Committee requested information on the exact position, viz.: the total number of tank wagons available for movement of oils on railways, the number, if any, especially earmarked for the movement of mineral oil and the number available for the movement of vegetable oil.

The B.B. & C.I. Railway in their reply dated 26-4-1947 informed the Committee that while 90 wagons were allotted for all-India movement of other oils, they had 30 vegetable oil tanks under their control for movement of vegetable oils. They had asked the Railway Board for 15 additional vegetable oil tanks. Besides, when the kerosene oil and diesel oil tanks returned empty to Bombay, they carried vegetable oil from up-country. Uptil now the Railway met all indents in case of vegetable oil for Bombay. It was, however, added that if any traffic in vegetable oil was held up, the same would be attended to on receipt of complaints from the parties concerned.

The G.I.P. Railway in their reply dated 30th May, observed that they were fully aware of the difficulties experienced by the trade in the movement of vegetable oils. It was mentioned that with the development of Vanaspati industry during the war period the demand for tank wagons for the movement of groundnut oil had reached a very high figure. The transport requirements of vegetable oils had not yet stabilized and as such it had not been possible to estimate the normal requirements of the trade.

The existing number of tank wagons available for such movements were found to be entirely inadequate and a requisition for about 200 tank wagons for moving vegetable oil had been placed with the Railway Board. It was mentioned that no satisfactory solution of the general shortage of tank wagons for vegetable oils could be evolved till the additional tank wagons were supplied by the Railway Board.

Movement of Factory-made Wooden Furniture over the Railways

In a letter dated 12th August 1947, addressed to the Railway Board, Government of India, the Committee drew attention to the difficulties experienced by Messrs. Sunderdas Saw Mills in carrying on their manufacturing activities as a

result of the non-availability of transport facilities for their products. Under the existing priority list, furniture traffic fell under Class 6 under which there was practically no movement for any destination in view of which it would be very difficult for the above types of furniture to be moved except under special permission. They pointed out that the firm had applied to the local Railway authorities for special priority, but the request was not acceded to. The Committee pointed out that the continuance of non-availability of booking to various places, put the firm in a very awkward position jeopardising their production work. They referred to the fact that furniture made out of iron and steel was, for purposes of movement over Railways, placed under Class 3 and urged that wooden furniture should also be similarly treated.

The Chief Controller of Railway Priorities in his reply dated 25th August observed that there was no provision in the schedule to the Railways (Transport of Goods) Act, 1947, whereby priority assistance could be afforded to the movement of furniture and that there did not exist sufficient justification at the present time to issue an amendment to the schedule of the Act to enable this to be done. It was also added that for the purpose of issuing such an amendment at the present time it would be necessary to have consultations with the Government of Pakistan.

Transport of Drugs and Medicines

In a letter dated 5th November addressed to the Railway Board the Committee referred to the difficulties arising out of lower priority given to the movement of drugs and medicines of indigenous manufacture. Under the new priority list such movement was accorded third priority with the result that for long periods the booking was scarcely available for movement of such important articles. The Committee pointed out that chemical industries were more or less infant industries and that, therefore, it was the duty of Government to see that they were not subjected to difficulties solely as a result of inadequate transport facilities. They, therefore, stressed that medicinal goods of essential importance to the public should be allowed to be moved under the same priority as accorded to the movements of Government sponsored goods in this line, as both the movements were in the interests of public in general.

Demurrage Charges on Oil Tank Wagons detained at Carnac Bridge

In a letter dated 25th June addressed to the B.B. & C.I. Railway, the Committee referred to complaints against the recent increase in demurrage charges on oil tank wagons detained at the Carnac Bridge from Re. 0-1-0 per ton per hour to Re. 0-8-0 per ton per hour. They maintained that demurrage charges should not amount to something in the nature of penalty, for after all the process of emptying tank wagons was dependent on various factors over which the consignee might not have entire control. They, therefore, requested the Railway to consider the matter and see if the old rates of demurrage could not be restored.

The Railway in their reply dated 1st July 1947, observed that they were experiencing serious difficulties in handling movements of oil in bulk due primarily to the slow turnround of tank wagons. They further stated that owing to acute inflation in prices of vegetable oils it was found that tank wagons arriving into Bombay with edible oils were kept under load for a considerable period of time by the consignor in the hope of getting a higher bid for his Railway Receipt. It was with a view to minimise such undesirable detentions that they were forced to enhance the rate from Re. 0-1-0 to Re. 0-8-0 per ton per hour. It was admitted that the proposed increase was rather heavy, but that the situation was such as to call for a very drastic remedy.

Responsibility for Damage of Oilseeds carried under the Railway Risk

The Committee had received complaints from certain interests representing the oilseeds trade that several consignments of oilseeds which were transported over the G.I.P. Railway in October last were received in Bombay in a damaged condition. The Railway administration got the goods surveyed and the extent of damage was marked on the back of the bill part. When the consignees claimed compensation for damage, the Railway authorities repudiated the claim on the ground that "Under R|R. the railways have carried the consignment with the care expected of a bailee under section 72 of the Indian Railways Act". The Committee in a letter dated 28th June addressed to the G.I.P. Railway, referred to the above matter and observed that it was not possible to appreciate the stand taken up by the Railway administration. They pointed out that the Railways had themselves thought it fit to get the damage assessed and that, therefore, it was not fair for them to subsequently take up the stand that they were not responsible for the loss. Whatever the legal position,

they suggested that it was necessary that the Railway administration should agree to examine the claims of the parties for compensation, and reimburse the parties on the basis of the survey carried out at the instance of the Railway administration.

The G.I.P. Railway in their letter dated 22nd July 1947, observed that claims for compensation for loss or damage in respect of consignments booked at Railway risk were settled on the merits of each case, with reference to section 72 of the Indian Railways Act, under which no claims could be entertained if the Railway administration was satisfied that adequate care was taken by the carriers. It was, further, added that the details of specific cases of difficulties of the above nature should be furnished to the Chief Traffic Manager of the Railway for further action.

Inclusion of Ordinary Articles of Glass under Rule 34 in Goods Tariff under " Excepted Articles "

In their communication dated the 7th May addressed to the Indian Railway Conference Association, the Committee referred to Rule 34 as above as also to the Schedule of articles of value annexed thereto. Under that rule, consignors were required to insure the articles mentioned in the schedule for carriage over the railway at a fixed insurance rate for covering extra risk. It was contended that ordinary glassware in daily use, which were included in the schedule, could not be considered as " articles of great value ". It was suggested that glassware in the list should be properly specified, e.g. cut glass, chandeliers, etc. with a view to exempt ordinary glassware from the operation of the Rule.

Booking of Ghee Tins by Passenger Train

In a letter dated 5th November addressed to the B.B. & C.I. Railway, the Committee referred to the proposal of Messrs. Doshi Bros., a member-firm of this Chamber, of supplying unadulterated ghee direct to customers at various stations of the B.B. & C.I. Railway and the difficulty in this connection experienced by them as a result of Ghee tins not being accepted for booking by passenger train. If the facility of sending Ghee tins upto a limit of 3 maunds per day per consignee was given, the same would enable small consumers to order out their requirements direct from the producer. The Committee requested the Railway to give to the above firm the limited concession that they had asked for, particularly in view of the fact that products such as butter, cheese, condensed milk, etc. were being allowed to be booked by passenger train. They, therefore, urged the Railway to allow

ghee in the prescribed limited quantities being booked by passenger trains.

The Railway in their reply regretted their inability to accept the above suggestion.

Booking of F.P. Cotton Bales from C.P. and Berar

In a letter dated 12th December 1947 addressed to the G.I.P. Railway, the Committee drew their attention to the closure of booking for full pressed cotton bales from stations in C.P. and Berar since the beginning of the cotton season. It was added that if the booking was further delayed price of cotton at such centres would be affected, thereby causing financial loss to the producers concerned. They, therefore, urged that instructions should be issued to the authorities concerned to open booking for cotton bales from stations in C.P. and Berar to Bombay, without any delay.

Provision for Storing and Warehousing Tobacco at Stations in Charotar Area

The Gujerat Tobacco Merchants' Association had carried on correspondence with the B.B. & C.I. Railway in regard to the necessity for provision for storing and warehousing facilities at railway stations in the Charotar area. They were assured by the railway that provision for such facilities had been made in the post-war reconstruction scheme. The Committee in a letter dated the 18th January addressed to the B.B. & C.I. Railway welcomed the above assurance of the Railway and requested that the facilities as above should be extended to all the stations in the area offering traffic in tobacco.

Special Reduced Rates for Transport of Tobacco

As published in the Summary Report of the Chamber for the year 1946, the Committee had addressed the B.B. & C.I. Railway, urging that in view of the large traffic in tobacco offered by Gujerat, the facility of special reduced rates for tobacco should be extended to all such stations in Gujerat from where there was considerable outward traffic in tobacco. The Railway in its reply dated 8th January 1947 informed the Committee that the interests concerned were already requested to furnish him with the details regarding traffic from various stations in Gujerat to assist him to fix suitable rates for tobacco traffic, and that careful consideration would be given to the matter on receipt of such information.

The Proposed Broad Gauge Railway Line between Manmad and Nardana

As published in the Summary Report of the Chamber, the Committee had addressed the Railway Board urging the diversion of the terminus of the proposed Manmad-Nardana line from Nardana to Amalner. The Chief Traffic Manager of the G.I.P. Railway, to whom the matter was referred, in his reply dated the 7th January 1947, informed the Committee that they should approach the Government to Bombay as the proposal for the line emanated from that Government. The Committee, therefore, addressed the Government of Bombay in the matter urging that they should bring pressure on the Railway Board to undertake the survey of the alternative suggestion of linking Manmad to Amalner. They pointed out that Amalner, as the terminus of the proposed line, would serve the traffic needs of the area more fully. They, therefore, requested that the matter be taken up with the Railway Board.

Restriction on Booking of Parcel Traffic

In a letter dated 8th May addressed to the G.I.P. and the B.B. & C.I. Railways, the Committee referred to the war-time restrictions placed on the booking of articles for carriage of parcels and urged that the Railways should now review the position with a view to remove the restrictions on as many articles as possible. They particularly referred to the restriction on the booking of parcels of Aniline Dyes by passenger trains which was brought into force since June 1946. They pointed out the importance of the colours in the manufacturing process and urged that this restriction should be re-examined so that consignments of dyes upto a prescribed limit might be allowed to be accepted for parcel traffic by passenger train.

Meetings of the Board of Communications

In their communication dated the 28th April, the Committee referred to the meetings of the Board of Communications which were suspended during the war period and suggested that Government should now arrange for regular meetings of the Board so that the Board might function actively as in the past.

Petrol Rationing

The Committee in their communication dated 17th April 1947 addressed to the Government of India, Transport Department, referred to the difficulties experienced by the motoring public on account of the control on petrol consumption in the

country since 1941 and stated that in view of the adequate supply of petrol in the country, there was no justification in prolonging such a control. It was added that during the war emergency, large quantities of imported supplies were reserved for defence purposes. War being over now such reserves should in due course be reverted for civil consumption. The Committee also referred to the satisfactory position of storage capacity for petrol and urged that Government should withdraw the present control on petrol supplies at the earliest opportunity.

Government in their reply dated 27th May, regretted that it was not possible either to abolish petrol rationing or to give any further relief to the petrol consumers, at present. They stated that the consumption of petrol as compared with the pre-war time had increased considerably and if the control was now removed, nobody could realise as to what would be the increased demand for the consumption of petrol in the country. It was further added that all possible steps were being taken to improve the transport position and it was hoped that with the diminution of the military requirements, it would be possible to allocate larger quantities of petrol for civil consumption.

Entry of V.P.P. Amounts on Receipts issued to Senders

The Postmaster-General, Bombay, in a letter dated the 21st January forwarded to the Committee copies of correspondence between the Postmaster-General, Bengal, and the Muslim Chamber of Commerce in regard to the difficulty pointed out by that Chamber regarding the entry of V.P.P. amounts on the receipts issued by the Post Offices to the senders. The purport of the difficulty was that while the sender might tender several V.P.P. articles at a time for conveyance to one and the same addressee, there was no indication on the receipts issued as to the respective articles they related to, the reason being that the receiving clerk did not enter the amounts on the receipts passed on against each such article tendered for conveyance. The Committee in a letter dated the 14th February informed the Postmaster-General, Bombay, that the difficulty as pointed out by the Muslim Chamber appeared to be genuine and that, therefore, the suggestion made by that Chamber for entering the amounts of V.P.P. articles on the receipts issued to the senders was well worth considering and should be adopted as a future practice.

Cotton Cloth and Yarn (Transmission by Post) Prohibition Order, 1946

The Committee in their letter dated 22nd July addressed to the Textile Commissioner, drew attention to the difficulties experienced by hosiery merchants on account of restrictions placed on the transmission of hosiery goods by post parcel, under the above order. Originally the restrictions under the above order were not intended to be applied to hosiery goods, but the same were made applicable in March 1947. They pointed out the difficulties experienced by members of the above Association in obtaining booking for hosiery goods either by goods or passenger trains. They referred to the Government's readiness to issue Postal Permits for the despatch of 100 parcels of not more than 20 lbs. each every month. The members of the Bombay Hosiery Merchants' Association pointed out that the concession was not sufficient to meet the requirements of the trade. They, therefore, urged that the position should be looked into and that the goods should be allowed either the facility of booking by passenger trains or restrictions on transmission of goods by post should be removed.

The Commissioner in his reply dated 5th August informed the Committee that he had decided to increase the limit of the number of permits to be issued per month from 100 to 200 with effect from August 1947.

Postal Delays

The Committee in their communication dated 14th April 1947 addressed to the Postmaster-General, Bombay, referred to the difficulty of replying to communications received from stations in Gujerat on the same day by return mail. It was pointed out that the latest hour of posting of letters to Gujerat from Bombay was 2-30 p.m. It was thus obvious that letters received after 2-30 p.m. could not be replied on the same day. The difficulty was that any letters received from Gujerat could be replied to only on the 3rd day and such a state of affairs was not desirable from the point of view of the commercial community. Request was made to the Postal Department to examine this difficulty and re-arrange the times of mail despatches from stations in Gujerat to Bombay and *vice versa* with a view to making possible reply of letters received from Gujerat on the same day by return mail.

Postal Holidays

The Postmaster-General, Bombay, in his letter dated 15th May informed the Committee that the question of granting

the same holidays to the post offices as were enjoyed by the administrative offices of the Government of India was under consideration and enquired if the Committee had any suggestions to make in the matter, and asked for their opinion as to whether deliveries were necessary or desirable on holidays. The Committee in their reply dated 10th June observed that the Post Offices should observe complete holidays on as few days as possible and that in respect of other general holidays, sectional holidays should be given to the members of the respective staff from the different communities.

Air-letter Forms

In a letter dated 3rd November 1947, addressed to the Postmaster-General, Bombay, the Committee referred to the present practice of Post Offices selling air-letter forms with stamps affixed. They pointed out that as a result of this practice every air-letter had to be separately paid for as against which, they pointed out, there was a practice in England of issuing blank air-letter forms for a nominal value in booklets without stamps being affixed. The latter procedure would facilitate commercial houses in case they had several letters to be addressed to one party in the course of a day for being grouped up and sent in a single cover, thus saving postal charges on the several letters individually. The Committee requested therefore, that air-letter forms in booklets should be sold to the public without stamps affixed on payment of a nominal fee.

The Presidency Postmaster in his reply dated 11th November observed that in the " Air Letter Service " only the space available in the prescribed form was to be utilised for communication and that when a person had to write several sheets to one and the same party all those sheets could be enclosed in one envelope and paid for at the prescribed rate of every half an ounce.

Telephone Service in Bombay

The Committee had addressed the Director-General of Posts and Telegraphs in regard to the unsatisfactory nature of the telephone service in Bombay City and had recorded their objection against the proposed adoption of the message rate system of charging in Bombay (*vide* Annual Report for 1946, p. 225). The Director-General in his reply dated the 6th January replied to the various points raised by the Committee and stated that the authorities were doing their best to improve the efficiency of service, and that the suggestion of the Committee in regard to the creation of a Telephone

Advisory Committee was under the consideration of Government. He, however, stated that it was not possible to agree to the suggestion of the Committee for instituting some form of independent check on the authorities in the matter of distribution of telephones. With regard to the message rate system, it was stated that Government carefully reviewed the whole position and re-affirmed their decision to abolish the flat rate system. The Committee in their letter dated the 6th February again pursued the matter and expressed their regret that Government had not seen their way to accept the suggestion for the introduction of an independent check on the allotment of telephones in Bombay. They urged that the institution of some such machinery was essential to reassure the applicants that their applications were being considered on their merits. They reiterated their opposition to the message rate system and expressed their surprise that Government had not thought it fit to consult public opinion before such far-reaching decision was taken.

Installation of a Public Telephone at the Customs House

In a letter dated the 24th February addressed to the General Manager, Telephones, Bombay District, the Committee referred to the facility of a public telephone provided at the Customs House in the pre-war days for the convenience of the public and particularly the business community, which facility was withdrawn during the war. Committee pointed out that in view of the foreign trade now regaining its pre-war tempo, the need for such a public telephone connection at the Customs House was again felt as urgent. They, therefore, hoped that the matter would receive early attention and considered on a priority basis.

II. FINANCE, TARIFF AND TAXATION

Budget of the Government of India for the Year 1947-48

On the 1st March 1947, the Committee sent a telegram to the Hon'ble the Finance Member, Government of India, giving their reactions to the Budget Proposals for the year 1947-48. While agreeing with the sociological ideals and objectives outlined in the Proposals, Committee felt apprehensive that the direct and immediate consequences likely to follow from such proposals would not bring about the desired results. The drastic changes in the taxation structure and policy in the Budget were calculated to kill all initiative, so far as the industrialisation of the country was concerned. The high figure of Rs. 188.71 crores for Military expenditure was greatly in excess of what was required under peace-time conditions. Committee welcomed the abolition of the tax on the poor man's salt as also the raising of the income-tax exemption limit, viz.: Rs. 25,000, but suggested that the exemption limit should be still further raised to at least Rs. 3,000. Strong objection was taken to the levy of 25 per cent tax on all business and industrial profits above Rs. 1 lakh and it was pointed out that a particular section of the community, which was striving for the industrial advancement of the country, should not have been brought under the hammer under the plea of social justice. Such a measure of taxation was uncalled for at a time when all-round shortages were causing the people of the land hardships of a serious character, as obviously enough not only the initiative of the industries would be crippled but the same would have adverse effect on the already existing tempo of production. Direct taxation in the country had already risen from 21 per cent to 67 per cent, while in the U.S.A. it rose from 50 per cent to 75 per cent and in the U.K. 56 per cent to 64 per cent. Committee, therefore, felt that such stepping up of direct taxation was short-sighted. Reference was made by the Committee to the Budget announcement last year regarding expert taxation enquiry. Such drastic proposals should have been brought forward for the consideration of the legislature after such an enquiry had taken place. The datum line of Rs. 1 lakh irrespective of the size of turnover of business, made the incidence much more steep and iniquitous. The limit should have been suitably increased and linked to the capital employed in business.

Committee deplored that serious repercussions would follow in the capital market as a result of such a drastic measure of taxation and joint-stock enterprises would be the first

to feel its weight. They considered the proposal to tax capital gains as most revolutionary. In their opinion such would directly affect as also discourage transactions in capital assets, and would restrict the free market and negotiability of shares and stocks. Committee also objected to the increase in the incidence of super-tax, whereby they felt there would be less possibility of savings being ploughed back into industrial enterprise. They felt that the general effect of the chief Proposals would be to drive capital and industry away from British India to places which may offer lower taxation burdens and obligations. In their opinion, a deficit of over Rs. 50 crores in a transitional year was not a problem of such tremendous magnitude as would justify such unorthodox and violent changes in the taxation structure and policy.

They supplemented their views and observations on the various financial measures by submitting a detailed representation on 11th March 1947:—

Business Profits Tax Bill:

In the case of the new Business Profits Tax a standard of one lakh of rupees, irrespective of the size, capital and turnover of business, made the incidence much more steep. By subjecting joint-stock companies to the payment of Business Profits Tax, and not making any provision for refund in the case of income-tax, the shareholders, who should have been protected, were deprived of their legitimate refund. The small investors were hit hard by this policy of inflicting non-refundable taxes.

Clause 2(15):

With regard to the computation of taxable profits, the Committee suggested modifications to the effect that such profits should not be ascertained with reference to any standard period as under the old E.P.T. Act. A rate of 7½% per annum should be allowed for the purpose of arriving at taxable profits subject to the minimum standard of Rs. 1 lakh. Further, in the case of firms and private limited companies, an additional 2% extra return should be allowed.

Clause 4:

The Committee suggested that the rate of 25% of the taxable profits proposed under the clause should be reduced to 12½%.

Banking Companies:

It was suggested that as in the case of business of Life Insurance, all profits of a banking company should be totally exempt from the Business Profits Tax.

Clause 7:

It was stressed that it should be provided that upon the death of a person, his heirs, executors and administrators continuing the business should be entitled to the deficiency exactly in the same manner as if the deceased person was alive.

Clause 13:

Objection was raised against empowering the authorities to make provisional assessments.

Clause 18:

The time allowed for rectification of mistakes should be extended to five years.

The Schedule—Rule 4:

The Committee were of the opinion that it was unjustified to disallow remuneration paid to Directors in the case of a company in which the Directors had a controlling interest.

Rule 5:

It was not in the public interest to empower the disallowance of expenditure which the Income-tax Officer deemed as unreasonable or unnecessary.

Capital Gains Tax:

If Government were bent upon introducing the Capital Gains Tax then a separate taxation measure should be introduced for imposing such a tax and the same should not be treated as income for the year to be added on to the assessable income. It was further suggested that industrial plant and machinery sold or disposed of during the course of carrying on business should be excluded from the scope of the tax. Further, capital asset acquired at least five years before the date of sale or transfer should be exempted.

The Committee submitted that the limit of exemption should be raised to Rs. 25,000 and that this quantum should be entirely tax free. This was suggested with a view to exempt personal transactions from the tax. It was felt that capital gains made by an assessee in respect of compulsory sale or transfer should be exempted. Such profits gained as a result of Government redeeming the amounts of loans should also be exempted.

The Committee were against the proposal to include capital gains arising in Indian States as income for purposes of Capital Gains Tax.

Indian Finance Bill, 1947:

The Committee submitted that the maximum slab of rate for purposes of super-tax should be applicable in the case of earned income at Rs. 4 lakhs and in the case of unearned income at Rs. 3 lakhs.

The Committee in a further telegram dated 26th March 1947 addressed to the Finance Member stressed that premium on shares received by companies which had issued new capital should be treated as capital for purposes of 6% abatement. It was also suggested that additional reserves such as Catastrophic and Conflagration Reserves of General Insurance Companies and Fleet Replacement Reserve of Shipping Companies which lost ships during the war should be allowed to be counted as capital for purposes of 6% abatement.

Railway Budget for the Year 1947-48

The Committee, in their telegram dated 18th February 1947 addressed to the Honourable the Member for Transport, Government of India, referred to an increase of Rs. 29 crores in the traffic receipts under the revised estimates for 1946-47. Actually, the estimated receipts were short by Rs. 23 crores as against last year's receipts. They regretted that the working expenses had, however, increased to Rs. 152.4 crores. They referred to the increase in the passenger and freight rates which would inflict an extra burden on the public to the extent of about Rs. 9½ crores. It was felt that the vast surpluses earned during war-time to the tune of nearly Rs. 235 crores had been squandered away by distribution to General Revenues without due consideration to the accumulation of Reserves. The Committee suggested that the inflationary spiral should have been stopped from rising higher and higher and they felt that at a time of falling receipts, a new policy of adjustment should have been resorted to. The Committee welcomed the proposed experiments with the new type of telescopic class rates applied on a continuous mileage basis to manures, oil-cakes and bone meal as a step in the right direction. They expected that the Standing Committee of the Railway Rating Experts would soon evolve a national rating policy. They felt concerned about the proposed increase of 6¼% on the existing level of passenger fares as also regarding the rise in the level of freight rates for many of the special and station to station rates then prevailing. They hoped that the increases would not be applicable to items of food and fodder, as the prevailing scarcity and difficult food conditions demanded exemption from such burden. They referred to the difficult

position of the industries which would have to carry the burden of such increased rates and sounded a note of warning that in the near future Government will have to look carefully into the ascending spiral of rates which the economic position of the manufacturing units in the country could not afford to bear. The third class passengers who contributed on an average nearly 96.1% of the total traffic were not spared by Government in the budgetary estimates and Committee felt that their long standing grievances were still being left unattended. Before any enhancement was contemplated, Government should have assured the third class passengers that more amenities and comfortable travel would be forthcoming before such increases could be given effect to. The Committee, while admitting that the Interim Government had received the finances of the Railways as a legacy from the old Government, pointed out that it was their duty to immediately apply themselves to the pressing problems of elimination of wasteful and un-economic expenditure which was the root cause of the transport problems in the country. They hoped that the proposed increases would be of a temporary character pending revision of the entire Railway policy. The schemes of nationalisation of road transport were a debatable proposition in their opinion and the various Provinces should not be allowed free scope for implementing changes in this direction. They felt that the commitment on the part of Government to schemes of financial participation in projects of nationalisation of road transport would not achieve the desired objective. They welcomed the appointment of the Indian Railways Enquiry Committee and hoped that Government would be able to effect necessary economy in expenditure in all possible directions in the shortest possible time. It was suggested that Government should undertake to review the whole question of the Railway Separation Convention which was unduly liberal in respect of contributions to the general revenue.

Supplementary Railway Budget

In a telegram dated 26th November 1947 addressed to the Government of India the Committee forwarded their observations on the Supplementary Railway Budget, a brief summary of which is as follows:—

They observed that the Supplementary Budget had mainly been necessitated by the constitutional changes following the Indian Independence Act, and naturally, the factors resulting from the Partition of the country into two Dominions had affected and influenced the budgetary position. They referred to the fact that on the basis of the altered position

consequent upon Partition and the revised figures disclosed in the Supplementary Budget the financial year was expected to close with a deficit of over Rs. 12.38 crores and that Government proposed to bridge the gap between revenue and expenditure by the facile expedient of stepping up rates and fares. They observed that it was somewhat disconcerting to the public as users of the railway that even on the slightest impact of adverse conditions, they should be called upon to bear disproportionately high increases in the charges, both for passenger and goods traffic.

It was their opinion that the prospect of a deficit of just over Rs. 12 crores during the current financial year, should not have been deemed as a matter of such significance as to necessitate increases in rates and fares on a steep scale.

They further added that the increase in the passenger rates for the Upper Class travel, viz.: from 18 pies to 30 pies for First Class and from 9 pies to 16 pies for Second Class per mile in the basic rates, seemed to have overstressed the theory of capacity to bear and that the same would have a regressive effect on travel leading ultimately to a diminution in the overall revenue. The proposal to increase Third Class fares from 3.6 pies per mile to 5 pies for mail trains and 4 pies for ordinary trains, besides involving a heavy burden on the poorer sections of society, would inevitably push forward the cost of living in the country. The increases in the Season Tickets were bound to evoke strong criticism. In regard to increases in rates generally and those on coal and iron and steel in particular, the inevitable result would be that there would be an all-round increase in the cost of production and consequently in the prices of all goods.

Budget of the Government of Bombay for the Year 1947-48

In a press statement issued on the Budget Proposals of the Government of Bombay, the Committee appreciated that the Proposals were animated by new ideals and re-orientation in outlook and policy, and expressed their satisfaction at the self-balanced nature of the Budget. They referred to the difficult conditions through which the Province was passing and hoped that the common man could now expect that earnest efforts of the Popular Ministry would bring him some relief from the stress and strain of the last few years. While appreciating the move of Government in the direction of increased agricultural production, they hoped that Government would avail of the normal trade channels for the purpose of storage, handling and distribution of such products. They urged that Government should take urgent steps to meet the shortage of cloth in the province as also for tackling the pro-

blem of acute scarcity of housing accommodation. Adverting to the programme of post-war reconstruction, the Committee welcomed the statesmanship and the breadth of outlook in Government's approach to the problem. In conclusion, Committee referred to the nationalisation of road transport and observed that though there would inevitably be some difference of opinion as to the suitability of nationalisation as a policy, they welcomed the fact that Government had acknowledged the practical difficulties inherent in any attempt at implementing immediately a programme of nationalisation of industries and undertakings in the Province.

Proposed Tariff Negotiations between Member-States of the Preparatory Committee—International Conference on Trade and Employment

The Committee in their communication dated 17th March addressed to the Government of India drew attention to Government proposal to ask for reduction in Customs duties from the various member-countries constituting the International Conference on Trade and Employment. In this connection, the Committee referred to the efforts of the Indian Delegates to the Conference to press the claims of under-developed countries for freedom to use all forms of protective measures for ensuring their economic and industrial development. The Preparatory Committee had given no assurance that such claims would be favourably received. Under the circumstances, the Committee felt that it was not worthwhile asking for reduction in Customs duties from the various member-countries when India was not in a position to offer reciprocal concessions. They were of opinion that the matter should be left open at this stage and ask for any such concessions at a later date when it was propitious to do so.

Settlement of Sterling Balances

The Committee in their telegram dated 17th April 1947 addressed to the Honourable the Finance Member, Government of India, referred to the Indian Delegation proceeding to London shortly in connection with the settlement of Sterling balances with His Majesty's Government and drew attention to the extreme urgency of including non-official commercial men of eminence and standing in the Delegation.

Scheme for Constitution and Function of an Autonomous Association of Accountants

The Government of India had forwarded to the Committee for their observations a tentative scheme regarding the constitution and function of an autonomous Association of Accountants. The main idea underlying the scheme was

that the responsibility now resting with Government for regulating the profession of Accountancy should hitherto be entrusted to the proposed Body, the Executive authority of which was proposed to be vested in a Board, consisting of 25 members, 13 elected and 12 nominated. Government would, however, continue to retain power in respect of removal of names from the Register, etc. The Committee in their letter addressed to the Government of India observed that in their opinion the scheme in its present form required changes in many directions. They suggested firstly that the new Accountancy Board should be constituted under a separate Act of its own and should have full powers in all matters governing the regulation of the profession including the function of prescribing and enforcing standards of professional conduct as also the right of removal of names of members from the Register with a suitable provision for a right of appeal to the Central Government from its decision in regard to the matter. With regard to the constitution of the Board, it was suggested that the Board should consist of 23 members of which 14 should be returned by constituencies of Registered Accountants and that a seat each should be reserved to be represented by the Federation of Indian Chambers of Commerce and Industry, the Federation of Muslim Chambers of Commerce, the Indian Merchants' Chamber, Bombay, and a representative from commercial organisations from Calcutta selected for the purpose.

Change in Time for Clearing of Cheques

At the instance of a member-firm of the Chamber, the Committee addressed on 5th March 1947 a communication to the Indian Banks Association drawing their attention to the difficulties experienced by the commercial community as a result of the Branch Offices of the scheduled banks not accepting cheques for clearance on Saturdays. The Association in their reply dated 8th April 1947 informed the Committee that considering the present banking and clearing hours, it was not practicable to accept cheques from the town branches for clearing on Saturdays. The Committee in a further communication dated 17th April 1947 requested the Association to make it possible for their branches to accept cheques on Saturdays also as soon as conditions became more normal.

Notice of Demand in respect of Advance Payment of Tax under Section 18-A of the Indian Income-tax Act

The Committee in their communication dated 14th April 1947 addressed to the Central Board of Revenue drew atten-

tion to the difficulties experienced by the assessees as a result of the Income-tax Department serving the assessees with notices under Section 18-A only 4 or 5 days before the date of payment fixed by the Section, namely 15th March. It was pointed out that at the time of Indian Income-tax Amendment Bill in the year 1938, the then Finance Member had referred to a Department Circular dated 26th April 1937 making obligatory fourteen days' time to be allowed to the assessees for such payment. The Committee complained that the spirit of the above circular was not respected by the Authorities concerned. They contended that there was no power given under Section 18-A to the Income-tax Officer to extend the time for making payments beyond the statutory date. It was, therefore, necessary that notices of payments on 15th March should be issued at least before the full period of 14 days within which assessees should make arrangements for such payment.

Time-limit for filing Appeals before the Appellate Tribunal under Sub-Section 2 of Section 19 of the Indian Income-tax Act

The Committee in their communication dated 17th April 1947 addressed to the Central Board of Revenue pointed out that under the above sub-section the time-limit for appeals to the Appellate Tribunal was calculated from the date of the order while under Rule 17 and Rule 17-AA, the time limitation in similar circumstances operated from the date of the communication of the order to the assessee. The Committee felt that the provision contained in sub-section 2 was an obvious mistake and it should be corrected by a necessary amendment of the rule.

Allocation of the Premises of the Income-tax Tribunal in the City

The Committee in a letter dated 2nd July, addressed to the Central Board of Revenue, referred to the report that the present premises occupied by the Income-tax Appellate Tribunal, Bombay City, were being derequisitioned and that the new premises, for want of suitable place in the Fort Area, were proposed to be allocated in some out of the way locality. They pointed out that the commercial community as also the legal profession would experience great difficulty if the new premises for the Income-tax Apellate Tribunal were located away from the Fort area. They, therefore, urged that the Government should make arrangements for housing the offices of the Tribunal in the Fort Area. They made a similar representation to the Government of India, Department of Works, Mines and Power, and urged that since that depart-

ment was normally concerned with the question of accommodation for Government Offices, they should arrange to locate the Tribunal Office in a Central place in the City of Bombay.

Income-tax Appellate Tribunal

In a letter dated 14th August, addressed to the Government of India, the Committee referred to the reported intention of Government to fill up a vacancy caused by the vacation of office by one from amongst the 4 accountant members of the above Tribunal by appointing a person who was a former employee of the Income-tax Department. The Committee in this connection, referred to the assurances given by the then Finance Member at the time of the amendment of the Act of 1933 to the effect that Government would not, as far as possible, fill up any vacancy of an accountant member in the Tribunal with an ex-employee of the Income-tax Department. It was observed that there was no dearth of suitable persons from the profession for filling up the post and requested Government to adhere to the previous assurances.

The Government in their reply dated 25th August observed that the appointments to the posts of accountant members of the Income-tax Appellate Tribunal were made through the Federal Public Service Commission and that they were not precluded from selecting an officer of the Income-tax Department to fill a vacancy of these posts. The Commission made their selection based on merits and could be trusted to have assured themselves that the officer had the necessary judicial bent of mind and was suitable in all respects for the appointment. Besides, when a departmental candidate was selected for appointment as an accountant member, care was taken to see that such officer was on the verge of retirement and was, therefore, not likely to revert to the Income-tax Department. In these circumstances, it was added there was no need for apprehension that the independence of an accountant member who had been an officer of the Income-tax Department was in any way likely to be circumscribed.

Allowance of Expenditure incurred in connection with the Independence Day Celebrations

In a letter dated 27th August 1947, addressed to the Central Board of Revenue the Committee requested the Board to issue instructions to the Income-tax Officers for allowing as a matter of course all items of expenditure incurred in connection with the Independence Day celebrations under section 10(2) of the Indian Income-tax Act.

The Board in their reply dated 4th September regretted their inability to allow such expenses as business expenses.

The Committee in pursuing the matter further, pointed out to Government that the Board had taken a very technical view of the whole position and urged that whatever the technical position in law, having regard to the special nature of the occasion, Government should agree to treat the items of expenses of the above character as coming within the scope of allowable expenses. They urged that the Government should be good enough to reconsider the matter and issue necessary instructions.

Government in their reply dated 7th October regretted that the suggestion of the Committee could not be accepted. The Committee, therefore, in a letter dated 13th October, further pursued the matter and pointed out that Victory Bonus paid at the end of the last war was treated as allowable expenses, and that, therefore, there was greater justification for treating expenses incurred in connection with the Independence Day Celebrations as allowable expenses. They requested Government to reconsider the matter.

Salaries earned in British India paid abroad

In a letter dated 17th December 1947, addressed to the Central Board of Revenue, the Committee referred to the provision in the Indian Income-tax Act governing assessment of salaries earned in British India, which in actual practice might be paid abroad. Under explanation 2 of the Section 4 of the Indian Income-tax Act, such salaries are liable to tax. It was, however, apprehended that if amounts of such salaries were paid abroad by the non-Indian Companies having transactions in British India, the same might escape assessment in the absence of specific machinery for detecting such payments abroad. They enquired of the Government as to how far in actual practice such assessments had escaped due payment of tax, in cases where non-Indian Companies were adjusting payments of salaries earned in British India without the knowledge of the Government of India.

Allowance of Unpaid Wages paid after 1946 and Refund of the same under E.P.T.

It will be recalled that the Committee had suggested to the Central Board of Revenue that provision should be made to allow payments which were due in respect of wages not claimed prior to March 1946 made after March 1946, as recorded in the Summary Report of the Committee for the year 1946. The Central Board of Revenue in their reply dated 22nd March 1947 drew the attention of the Committee to Rule 11 of the 1st Schedule to E.P.T. Act and to Clause 18 of the Bill "further to amend the Indian Income-tax Act,

1922, and E.P.T. Act, 1940" and pointed out that provision had been made for such allowance of payment between 1st April 1946 and 31st December 1947.

Excess Profits Tax—Post-war Rules, 1942

The Committee had addressed the Central Board of Revenue in regard to the forms prescribed for application of refund of E.P.T. deposits. The Board had provided for two kinds of forms under which claims for refund could be made for purposes of:—

(1) Provision for replacement of building and plant and machinery, and

(2) Provision in respect of refunds where the amount was required for development or re-equipment of the business concerned.

The Committee pointed out that the above forms had not taken into account the cases of assessees who were Managing Agents, who required the deposits for the purpose of distribution among the partners in the agency firm. They requested that the Board should look into the matter and arrange for the issue of suitable form of applications by assessees who require the refund of the deposits for purposes other than the two main purposes indicated in the forms referred to above. The Government of India in their reply informed the Committee that Government were prepared to provide for the earlier than normal refund of E.P.T. deposits, only in cases where the money was required for the rehabilitation or expansion of Industry, and that any other cases of refund must be deferred to the date on which it was due under the provisions of the Finance Act, 1942, and the E.P.T. Ordinance, 1943.

Allowance of Costs of Excess Profits Tax Appeals in assessing Profits

As published in the Annual Report of the Chamber for the year 1946, the Committee had addressed the Central Board of Revenue on the above subject. The Board in their reply dated 13th August 1947 informed the Committee that the case of *Rushden Heel Co.* v. *Keene* was taken in appeal when it was adjudged that expenses incurred in such appeals were not wholly or exclusively for the purpose of trade. The Committee in their reply dated 28th August informed the Board that the position at present obtaining was very unfair to the assessees concerned. The Income-tax and the Excess Profits Tax laws of the country were complicated and, therefore, it was reasonable that the expenditure incurred by the assessees in the course of proceedings undertaken for the

purpose of clarification of points involved in questions of fact or law should be deemed to be expenses incurred for the purpose of the business. They requested the Board to review the position and issue instructions regarding allowance of expenditure incurred in connection with Income-tax and Excess Profits Tax appeals.

Refund of E.P.T. Deposits

In a telegram dated 12th August 1947, addressed to the Government of India, the Committee urged that in view of the political arrangements for partition of the country from 15th of August and the consequent necessity for adjustment of assets and liabilities between the two Governmental authorities the position in regard to the deposits made by assessees under E.P.T. Act should be reviewed and that arrangements should be made for refund of deposits prior to distribution of assets and liabilities on 15th August so as to obviate the necessity of having to carry over these liabilities as between two Governmental authorities particularly in view of the fact that these refunds were due at any rate, within the next six months and consequently were not likely to involve Government in any financial burden.

Capital Gains Tax and Exemption Limit

In a letter dated 14th August addressed to the Central Board of Revenue, the Committee requested clarification regarding the exact implication of the provision in the first proviso to section 12-B of the Indian Income-tax Act under which capital gains not exceeding Rs. 15,000 were excluded from the scope of the tax, so far as it applied to assessees, who were partners in a registered firm and inquired whether in cases where a registered firm sold any part of its capital asset used for the purpose of business at a profit, the exemption limit would be calculated with reference to the share of each individual partner. Registered Firms, under the existing Income-tax Act, were not treated as separate entity for purposes of Income-tax and were being assessed to the partners. They, therefore, requested clarification in regard to the true interpretation of the provision in the Act.

War Risks (Goods) Insurance

In their communication dated the 29th April addressed to the Government of India, the Committee drew attention to the various complaints received by them regarding the issue of notices for payment in regard to alleged cases of under-insurance appropos the War Risks (Goods) Insurance. The Committee felt that there was no justification on the part of

Government to issue such notices after the War Risks Insurance Scheme had lapsed.

Insurance for Riot and Civil Commotion Risk

In their telegram dated 23rd April 1947 addressed to the Government of India, the Committee referred to the reports that Government were considering the feasibility of a compulsory scheme of insurance against civil commotion and riots, etc. Having regard to the disturbed conditions prevailing in the country as a result of riots, arson and loot in some of the British Indian Provinces, the Committee felt that the institution of the above scheme was made necessary, as the commercial community were experiencing difficulty in securing cover for risks in the course of their business. It was apprehended that the Insurance Companies might not be in a position to cope with the situation presented by the grave developments taking place in the country. As the position existed, the rates charged by the Insurance Companies were prohibitive. It was emphasised that Government should evolve a scheme of insurance whereunder risks resulting from civil commotion and riots, etc. would be underwritten by the State.

Government in their reply dated 26th April 1947 informed the Committee that the matter was under their active consideration.

In a telegram dated 3rd September, addressed to the Government of India, the Committee recalled their previous representation urging Government to institute a scheme of insurance for covering losses caused by Civil Commotion and Riots. They referred to the events of the last few days whereby there was a complete break-down of administrative machinery particularly in large areas in the Punjab and the wide-spread destruction of property on a collossal scale. They stressed that there was now an urgent need for early announcement by Government undertaking liability to compensate losses resulting from Riots and Civil Commotion and for instituting a scheme of insurance for covering such losses. They also urged Government to take up this matter with the Government of Pakistan with a view to urge that Government to take similar action in respect of losses in areas under their jurisdiction.

Tariff for Cotton in Temporary Covered Jathas

In a letter dated 8th July addressed to the Bombay Fire Insurance Association the Committee referred to the representation of the trade interests regarding fire tariff for cotton stored in temporary covered Jathas in the Port Trust area.

They referred to the new basis introduced by the Association for determining the extra rates applicable to "Monsoon protection" which in actual practice worked out much higher than the old basis of charging 100% extra on a basic rate of fire insurance. The Committee, having regard to the actual loss experienced in such covered Jathas during the last few years saw no justification for the higher rates for fire tariff for "Monsoon protection". They supported the contention of the trade interests that even if no relief could possibly be granted them at least the old basis of freights should immediately be restored in respect of Jathas in the Port Trust area.

Protection for the Bore Hole Pump Industry

The Committee in their communication dated 17th April 1947 addressed to the Government of India requested that the case for protection of Bore Hole Pumps manufacturing industry be referred for examination and necessary action to the Tariff Board. The suggestion was made in view of the fact that the Industry had been recently started and their case for protection should be fully looked into by the Tariff Board.

Protection to the Glass Industry

In a letter dated 3rd October the Committee referred to the representation addressed by the All-India Glass Manufacturers' Federation to Government desiring the case of the Glass Industry for protection being referred to the Tariff Board for enquiry. The Committee suggested that, in view of the fact that glass industry was an important industry and that it had made some progress during the period of the war, it should be assisted in consolidating that progress, and that its claim for protection should be referred to the Tariff Board for enquiry.

Import Duty on Parachutes

The Committee in their communication dated 23rd April 1947 addressed to the Government of India, Finance Department, referred to the increase made in the rate of duty on the imported consignments of parachutes, as a result of which the importers were required not only to pay the enhanced rate of duty on future consignments but at the same time the change was made effective retrospectively, i.e. those consignments on which duty of 30 per cent was charged previously and which had already been disposed of, were also subject to the enhanced duty. The Committee felt that it

was neither practicable nor justifiable to penalise the importers who had already paid the required amount of duty assessed previous to the change made in the rate of duty, the reason being that it was not possible for such importers to collect the difference between the past rates and the enhanced rates from the clients to whom the goods had been sold. It was, therefore, suggested that the change in duty should not operate with a retrospective effect.

The Central Board of Revenue in their reply dated 4th June 1947 informed the Committee that it was decided that parachutes of the type in question would be assessed to duty as "Textile Manufactures not otherwise specified" under item 53 of the Indian Customs Tariff.

Import Duty levied on Nickel

In a letter dated 6th September 1947 addressed to the Government of India, Ministry of Commerce, the Committee referred to the question of import duty on Nickel and recalled the assurance given in the past by the Finance Member of the Government of India in the Central Legislative Assembly to the effect that relief would be granted in respect of customs duty on raw materials used in Indian Industries, either in the form of reduction in the rate of duty or complete abolition of the same in suitable cases. In this connection, they drew their attention to the need for similar relief with regard to imported Nickel. They pointed out the importance of the article as a raw material to the various industries of the country, viz.: engineering industry, non-ferrous alloys and machine tool industry, etc. and observed that if relief in respect of customs duty on imports of Nickel was given, the same would enable the above industries to acquire this raw material at cheaper rates. They, therefore, suggested that Government should, at an early date, issue necessary notification exempting imports of Nickel from the levy of the duty.

Government in their reply dated the 13th October 1947 informed the Committee that it was not feasible to consider the claim for immediate exemption of import duty on Nickel. It was further added that the suggestion would be considered after the completion of the International Conference on Trade and Employment in session at Geneva.

Collection of Import Duty on Consignments Short-delivered

Under the Sea Customs Act, there is a provision for abatement of duty in respect of damaged goods. There was, however, no specific provision governing rebate of duty on occasions when consignments were short-delivered due to

loss of a part on account of pilferage, etc. The Committee therefore in a letter dated the 7th May enquired of the Collector of Customs about the exact procedure in force in regard to such case. They requested that if any special instruction had been issued, to regulate such instances, details of the same should be furnished to them for their information.

The Collector in his reply dated 6th June 1947 informed the Committee that there was no provision in the Sea Customs Act in respect of the goods short-delivered. However, it was added that in practice relief was given to importers in case where it was proved to the satisfaction of the customs that the missing goods were not in fact despatched or were lost prior to arrival of the vessel in port and that in both the cases it was necessary to satisfy the authorities in regard to the shortage before the goods passed out of the customs control.

The Committee in a letter dated 14th August, addressed to the Collector of Customs, drew attention to a case in which the above practice was not being adhered to. They referred the case of Messrs. Kashandas Ltd., Bombay, who imported 20 gross fountain pens per s.s. "Empire Swordsman" from New York. Their claim for refund based on a survey showing shortage of goods, carried out before the customs examination, was not entertained. They observed that the claim for refund of the party was based on the above assurance and therefore should be settled. They also requested for further clarification regarding the general considerations which would weigh with the Customs authorities, in agreeing to refund of duty in cases of loss or short-delivery.

The Collector in his reply dated 14th November 1947 observed that Customs duty was leviable on all goods imported and that it was erroneous to assume that all goods lost or short delivered were not in fact imported. It was, further, added that an Agent's survey was held to establish whether the shortage had occurred on board before landing of goods and in such cases the duty was recovered from the ship's Agents as a penalty. Refund of duty was also granted if it was satisfactorily established that the goods found short in a package were in fact not shipped. In all other cases the owner of the goods was held responsible for the duty.

III. TRADE, INDUSTRIAL & LABOUR LEGISLATION

Bill to provide for the Control of Indian Shipping

The Committee in their telegram dated 19th March 1947 addressed to the Department of Commerce, Government of India, referred to the above Bill in terms of which powers were vested in Government to continue control on movement of ships, as the Ordinance No. 22 of 1946 was shortly expiring. While the Committee had no objection to the Bill as such, they felt that the powers sought thereunder went beyond the requirements of the situation and were likely to prove impediments in the way of development of Indian shipping. They objected to the period of three years and suggested that it should be limited to one year only. The licensing envisaged in the Bill would confine all ships on the Indian Register to specified trade and routes while ships registered outside British India were not subject to the same restrictions. The result of this would be that British shipping, plying in Indian waters, would be free while the Indian shipping would be restricted to coastal waters. It was suggested that while old ships on the Indian Register might be restricted to coastal traffic, new ships bought by Indian shipping companies particularly for plying in overseas trade should be allowed to meet the purpose for which they were meant, taking into consideration the fact that the new ships were designed and were suitable for overseas trade. The Bill empowered Government to exercise control over fares and freight rates charged by shipping companies. It was suggested that Government should particularly see that the rates and fares fixed would be economical and should be arrived at after taking all relevant factors of cost into consideration. Contravention of any of the provisions of the new Act would involve punishment with imprisonment for a term which might extend to six months, or with fine, or with both. Objection was taken to this penal provision.

Bill further to amend the Indian Coinage Act providing for the Replacement of Silver Rupees by Nickel Coins

The above Bill sought to authorize Government to issue all coins including the Rupee in any metal. The Committee in their telegram dated 10th April 1947 addressed to the Government of India drew attention to the fact that in India sentiment played an important part in regard to the silver rupee and replacement of the same by a nickel coin would lead to public confidence being shaken in the value of the rupee. In their opinion the silver content in the rupee coin

was looked upon as an additional backing for the Indian currency. It was presumed that the change proposed to be brought about in the composition of the rupee was dictated by reasons of shortage of silver supplies and high prices thereof. It was felt that the difficulty was temporary and that it could be overcome by refraining from coining new rupee coins for the time being. Besides, proper representations might be made to the American authorities to secure readjustment of terms and conditions in regard to the return of Lease-Lend silver loaned by America to India whereby also the shortage of silver could be eased. The Committee were strongly opposed to any changes in the existing provision governing the silver content of the rupee coin, and requested that the proposal be abandoned.

Control and Regulation of Bullion Trade

The Government of Bombay had desired the views of the Committee on the questionnaire issued by them on the subject of Control and Regulation of Bullion Trade. The Committee by their letter dated 17th July 1947 forwarded to the Government their views on the above matter. They expressed themselves in favour of Government enforcing Unitary Control over Forward Trading in Bullion, and that the Control should be exercised over the whole of the Province as they felt that in the event of restricting the control to particular places, there was the risk of business migrating to centres which were not under control. While recommending that there should be only one association duly recognized for Forward Trading in Bullion in the City of Bombay, they stressed that necessary provision should be made for securing conditions which would result in all the elements in the trade as represented by the different associations at present existing in Bombay, and which desire to continue in the trade, being brought within the framework of the recognized association. They suggested that the rules and by-laws of the recognized association should be subject to the approval of Government, that any amendments or additions to the rules and regulations should also be subject to the previous approval of Government and that contracts not in accordance with the by-laws of the recognized association should be illegal and that unauthorised trading should be subject to penal action. With regard to the powers sought to be vested in the Government in regard to the supersession of the Board of recognized association, nomination of one or more members of the Board by Government and the removal or appointment of the President of the Association, they observed that the reserve powers of general control and

supervision should conform to some accepted standards and that even in case when Government found it necessary to supersede the Board for the time being, the power of appointing the successors should revert to the members of the organization and that in no case the Government should have the power to impose a president of their choice on the recognized association. They were in favour of forward trading in Bullion being allowed in other centres in the Presidency provided that trading was confined to recognized associations in those particular centres. They objected to provision for inclusion in the Board of Directors of the recognized Associations of one or more representatives of Government or of the Reserve Bank of India.

Report of the Cabinet on the Control of Forward Trading in Cotton in the Bombay Province

The Committee in a representation addressed to the Government of Bombay forwarded their views on the Report of the Cabinet on the control of forward trading in the Bombay province. They congratulated the authors of the Report on the practical nature of the conclusions reached in evolving a scheme for the control and regulation of forward trading in cotton in the Province and conveyed their general agreement with the conclusions arrived at in the Report and the recommendations contained therein, particularly in respect of the principle of unity control, extension of the control to the whole of the Province and the making illegal of Hedge contract transactions outside the control. They, however, drew attention of Government to the fact that there were at present two Associations in Bombay, viz.: the East India Cotton Association Ltd. and the Shree Mahajan Association Ltd. and urged that before instituting a unitary control it was necessary to bring about a fusion of the interests represented by the two Associations. This was necessary so that no injustice would be done to a section which had built up a stake in the trade and which desired to continue in the trade. For this purpose, they requested that Government should make some special provision for accommodating the smaller man in the trade, with the right to trade in his own name and account.

While supporting the Government's object of confining Hedge trading to one recognized Association for the whole province, they expressed the view that so far as delivery contracts were concerned, forward trading in delivery contracts (such contracts being not transferable) should be permitted to upcountry centres so long as actual delivery was contemplated and the trading was confined to local

growths of the district and that delivery contracts not transferable, for any growths must be permitted without any official legal restriction. In regard to the recommendation for vesting Government with powers of nominating President superseding the Board, etc. the Committee observed that there was no justification for Government to arm themselves with such powers.

Bombay Forward Contract Control Bill, 1947

The Committee in their communication dated 6th October 1947 addressed to the Government of Bombay, submitted their views on the Bombay Forward Contract Control Bill, 1947; the brief summary of which is as under:—

At the outset they drew attention of Government that the bill should be circulated for eliciting public opinion and Government should afford opportunity to those concerned to express their views on the same in detail. The time given to them for submitting their views was not adequate in view of the importance and vital character of the legislation. It was also suggested that Government should extend the period for the report of the Select Committee to which the Bill was referred and in the meantime the Bill should be circulated to the interests concerned. While referring to the omnibus character of the Bill empowering Government to make applicable the provisions of the Bill to whatever trade Government may include, they felt that in the interests of specific trades special legislation for every trade was desirable. In view of the fact that the bill would apply to the areas in the Bombay Province, it was suggested that Government should seek co-ordination of other provinces and States in regard to such legislation as otherwise the risk of migration of business would have to be faced.

Clause 3—recognition of associations.—The Committee referred to their previous view in favour of the principle of unitary control and suggested that any association recognized by Government should be required to assimilate other interests concerned in the business of forward trading of such goods. It was felt that as a matter of general policy recognition should be confined to one association for a particular trade.

Clause 4.—The Committee strongly objected to the powers vested in the Provincial Government to remove and appoint President, members of the governing body, etc. of a recognized association. They felt that powers retained under clause 3(4) to withdraw the recognition of an association was sufficient deterrent and there was no need for provision

which would enable the Government to supersede the President and Members of a body of a recognized Association.

Clause 5.—They objected to the provisions of this clause empowering the Provincial Government to make rules and add to, vary or rescind the articles of association of a recognized association. The change which Government might like to bring about should be effected by the willing consent of the recognized association.

Clause 7.—Under this clause, Government should be empowered to make by-laws, add to, vary or rescind any by-law of a recognized association after consultation with the association concerned. Under sub-clause 2 of the Clause Government should not be empowered to give restrospective effect to changes made by them in the provisions. Contracts previously entered into should not be interferred with.

Clause 8.—Under this clause any forward contract which was not in accordance with the by-laws of the recognized association was declared illegal. While not objecting to the provision as such, they pointed out that the clause would prohibit principals contracts, i.e. this would interfere with the business between brokers in Bombay and in other centres in the rest of India as such transactions could not be put through on agency basis. It should be specifically provided that principals contracts should not be entered into without first securing the constituents' consent in writing.

Clause 10(2).—The Committee was of the opinion that effort to organize an association with a view to secure subsequent recognition should not be deemed as an offence.

The Industrial Statistics Act, 1942—Census of Manufacturing Industries Rules

The Type Foundry-owners' Association had represented to the Committee the difficulties experienced by the members of the Association in conforming to the requirements of the above rules in the matter of submission of statistical information in terms of the forms prescribed for the purpose. The complaint was that information in regard to several details which were normally not maintained by the factories was being called for under the prescribed form, involving much labour and strain on the administrations of the type foundries. The Committee by their letter dated the 6th February drew the attention of the Government to the above difficulties of the type foundries. Recalling the previous assurance of Government to the effect that representatives of industry would be consulted and that their suggestions would be taken into consideration, while finalising the rules

and forms, they urged that the Type Foundry-owners' Association, who obviously had not been consulted, should now be consulted so that the form of the details could be settled on a mutually satisfactory basis by removing the requirements of submitting such details as would not be strictly relevant to the main purpose of collecting such information.

Agricultural Produce Export (Quality) Control Bill, 1946

The Government of India desired the views of the Committee on the provisions of the above Bill on the lines of which legislation was thought necessary for controlling the quality of agricultural produce exported out of India and to create the necessary machinery for standardisation of agricultural produce. Agricultural produce not conforming to the standards prescribed under the proposed legislation would not be allowed to be exported. The Committee in their communication dated 22nd April 1947 addressed to the Government had referred to the Government proposal regarding the desirability of checking the quality of goods exported from the country and had then suggested that the principal Chambers of Commerce in port centres should be entrusted with such work. They also referred to the Indian Standards Institution lately instituted by Government which was charged with laying down standards of agricultural produce both for purposes of internal and external trade. They pointed out the difficulty of laying down standards for export while no such check was devised so far as internal trade was concerned. The advisability of the Indian States also being brought under the purview of the provisions of the Bill had also to be considered. Besides, it was a moot point as to whether the importing countries would agree to consider to accept such standards as final. Under the circumstances prevailing at present it was suggested that such work of regulating imports should be undertaken on a voluntary basis and should be entrusted to Chambers of Commerce or Trade Associations specially recognised for the purpose. It should also be recognised that certain lines of exports had developed their own standards and quality marks and the proposed measure should not come in the way of the use of such standards. The Committee were of the opinion that having regard to the many practical difficulties coming in the way of enacting legislation for the purpose above stated, Government should abandon the idea of such regulation, and allow their objective to be realised on a voluntary basis in regard to commodities in respect of which there had been occasions for complaint.

Bill to provide for Standardisation of Contract Terms for the Purchase and Sale of Agricultural Produce

The Government of India in the Department of Agriculture invited the views of the Chamber on a proposal to enact legislation to provide for the standardisation of contract terms for the purchase and sale of agricultural commodities within the country. It was provided in the draft Bill to give powers to the Central Government to make rules for the fixing of standards contract terms for the conduct of business in any specified articles. The Committee having considered the provisions of the draft Bill as also the terms and conditions prescribed for standard contract for wheat, linseed and groundnuts, expressed themselves against any proposal for standardisation of trade in agricultural produce through legislation. They pointed out that the need for achieving a fair degree of standardisation was generally recognised, but that in their opinion the object could be best achieved on a voluntary basis under the terms and conditions prescribed by organised trade associations. They pointed out that there were many practical difficulties in securing a uniform standardisation of contracts in agricultural produce for the whole country in that the equality of the same products often varied from province to province and that there was no uniformity of trade practice. They, therefore, urged that Government should abandon the present proposal and instead important and organised trade associations for the respective trades should be helped to develop and enforce standard conditions of trade with reference to particular product.

Bill to provide for the Regulation and Licensing of Warehouses in the Province of Bombay

The bill sought to encourage the establishment of licensed warehouses for the storage of agricultural produce under official supervision and control. Carrying on business as a warehouseman without a licence will be prohibited. The receipt issued by the licensed warehouse for the goods stored in such warehouses would serve as a collateral security for short-term accommodation thereby facilitating the financing of seasonal agricultural operations. The receipts would also be transferable by endorsement. The Committee in a letter dated 4th October addressed to the Government of Bombay expressed themselves to be generally in agreement with the main proposal underlying the bill. They at the same time pointed out that the introduction of the system of licensed warehouses should not prevent the existence of private warehouses. The bill as drafted provided that no person shall, without a licence, carry on the business of a warehouseman

and as such shall store goods on behalf of depositors. The Committee pointed out that the bill in its present form would destroy the present practice of Maccadami under which advances were made against security of goods stored in warehouses. They urged that even after the introduction of a system of licensed warehouses private warehouses should be allowed to continue subject to the limitation that such warehouses would not be entitled to the special privileges conferred on licensed warehouses under the legislation.

Report of the Sales Tax Enquiry Committee

The Committee considered the Report of the Bombay Sales Tax Enquiry Committee appointed by the Government of Bombay and forwarded to Government the following suggestions in regard to the recommendations contained in the Report in respect of changes in the scope of taxation. They expressed themselves to be very much opposed to the proposal to change over to a General Turnover Tax in preference to the existing single point tax as the incidence of a general turnover tax would be heavier than that of a single point tax. With regard to schedule of exemptions, they observed that the list of exemptions should not only be not curtailed but that an attempt should be made to enlarge it in the light of the suggested additional exemptions by the various trade organisations. They reiterated their views in regard to the powers given under the Act to the officials for inspecting accounts, etc. Further, they urged that the Department should be given the necessary discretionary powers for relieving deduction and concessions resulting from consideration shown by the seller to the buyer at the time of adjustment and settlement of accounts.

Assessment under the Bombay Sales Tax Act

In a letter dated 12th October 1947, addressed to the Government of Bombay, the Committee referred to a complaint of a party to the effect that they could not prefer an appeal against the order of assessment passed by the Sales Tax Officer within the time limit provided for in the Bombay Sales Tax Act, owing to the fact that the Sales Tax Officer issued a final notice of assessment after the expiry of the time limit. In this connection, they pointed out the need for suitably amending the provision regarding time limit for preferring an appeal against the order of assessment so as to ensure non-recurrence of the anomalous situation pointed out above, and suggested that a period of 60 days from the date of the final notice of assessment should be allowed for preferring an appeal against the order of assessment as against the

present time limit of 60 days from the date of the *order of assessment.* Arising from the same the Committee also urged that Government should carry out the assurances to the effect that dealers would be assessed on an annual basis instead of on a quarterly basis.

Amendment to Insurance Rules, 1939

The proposed amendment sought to insert a new sub-rule 3(b) providing that Insurance companies should prepare and furnish on demand from prospective candidates for election as Policyholders Directors a list giving the names and addresses of policyholders holding policies of Life Insurance on payment of fees as prescribed. The Committee in this connection addressed the Government of India on 17th March 1947 approving the principle underlying the proposed new Rule. At the same time, they pointed out the practical difficulties which the companies would have to undergo in the preparation of such a list. Besides, they felt that the concession as proposed in the new Rule might be taken advantage of by persons with ulterior motives. They therefore suggested that the following safeguards be included in the proposed additional rule:

1. Longer time should be allowed for the supply of the list to the applicant concerned.
2. The fee chargeable for such lists should be at As. 6 per 90 words.
3. Candidates should be asked to deposit a sum of Rs. 500 which would be forfeited in case a prescribed percentage of the total number of votes was not secured.

Workmen's State Insurance Bill

The Committee in their communication dated the 26th February addressed to the Commissioner of Labour submitted their views on the above Bill, a brief summary of which is as under:

The Workmen's State Insurance Bill provides for compulsory State insurance of industrial workers giving certain benefits in the event of sickness, maternity and employment injury to workmen. The conduct and administration of the Scheme is to be entrusted to a corporation constituted by Central legislation and that the functions of the said Corporation will be performed by a Central Board constituted by representatives of the Central and Provincial Governments, Employers, Workers, etc. While approving in principle the

objects underlying the Bill, the Committee pointed out that (1) the Indian States should be brought within the purview of the Bill, (2) that some relief should be devised for new industries, (3) that the benefits should also in some manner be extended to workers of cottage industries, and (4) that those working in a clerical capacity in factories should also be brought within the scope and operation of the proposed scheme. Committee also suggested certain modifications in the clauses of the Bill, viz.: that the State should substantially contribute to the Fund, that there should be no overlapping of the provisions of the Workmen's Compensation Act and those of the present Bill. It was also pointed out that where a workman was paid wages for a portion of the week, the employer was liable to pay both the employers' and the workman's contribution for that week in full. It was suggested that the employer should be made to contribute only proportionately.

Indian Trade Unions (Amendment) Bill

In their communication dated the 26th February addressed to the Commissioner of Labour, Bombay, the Committee submitted their views on the above Bill, a brief summary of which is as under:

The primary object of the Bill was to provide for obligation on the part of employers to recognise registered trade unions. While agreeing to the provisions of the Bill in general, Committee suggested the following modifications, viz.: Clause 3(f): Having regard to the legislative enactments operating in certain provinces, which also define illegal strikes and lock-outs, it was suggested that the definition in the present Bill should be suitably amended with a view to achieving the necessary uniformity in the Central and Provincial Acts; Clause 28 (d): It was suggested that the conditions necessary for the recognition of representative unions should be clearly specified in the Bill itself and should not be left over to the rule-making authority. It was also stated that no outsiders should represent such trade unions; Unfair practices: While not objecting to the amount of fine, viz.: Rs. 1,000 leviable on the employers for unfair practices, it was suggested that for the first offence on the part of the employer, warning should be given, and penalty should be imposed for subsequent offences.

In a letter dated 28th November addressed to the Ministry of Labour, Government of India, the Committee referred to the above Act recently passed by the Constituent Assembly (Legislative) and in this connection put forward

certain suggestions before Government having regard to some recent events and developments in the sphere of industrial relations in the country. They suggested that Trade Unions should be made responsible for the good conduct and behaviour of the members of the respective Unions and that under the Law, the Union should be responsible for any actions of a member of the Union which might result in corporal injuries to any official or worker of the industrial establishment concerned. It was, further, suggested that as in the case of professional associations like the Bar Association, the Medical Council, etc., the Trade Unions should be required to evolve a code of conduct and vocational misconduct should be taken cognisance of by the Union.

Working of the Indian Trade Marks Act, 1940, and Arrangements consequent on the Partition Plan

In a letter dated 14th August 1947, addressed to the Government of India, the Committee referred to the representation of the Millowners' Association, Bombay, to Government in regard to the effect of the partition plan in the matter of the application of the provisions of the Trade Marks Act, and enquired as to what would be the procedure that was proposed to be followed in the matter of registration of Trade Marks for the Pakistan Area. It was urged in the representation that by agreement between the two Governments, the Registrar of Trade Marks, Bombay, would function as the Registrar of Trade Marks for the Pakistan area, just on the lines of the arrangements existing at present with certain of the Indian States. It was also urged that there should be co-ordinated action between the authorities of the two Dominions in regard to the treatment of Trade Marks registered in one area, and in the other. The Committee requested that Government should give their early attention to the above matter.

Government of India, in their reply dated 18th November 1947 informed the Committee that the Government of India would administer the Act on behalf of the Dominion of Pakistan upto 31st March 1948. Suggestions in regard to the need for reciprocity and protection of Trade Marks would be considered by Government in due course.

IV. GENERAL TRADE AND INDUSTRY

Interview with the Honourable the Commerce Member, Mr. I. I. Chundrigar

The Committee met the Honourable Mr. I. I. Chundrigar, Member for Commerce, Government of India, on 16th April 1947 when the following subjects were discussed:

1. Indian Delegation to the International Conference —Choice of Personnel.
2. International Conferences on Trade and Employment—Our needs and requirements.
3. Future Tariff and trade policy.
4. Consular Officers and Trade Commissioners.
5. State trading.
6. Prohibition of forward contract on oilseeds.
7. Control on raw cotton.
8. Export of jute and jute goods.
9. Insurance legislation.

Interview with the Hon'ble Mr. N. V. Gadgil, Minister for Works, Mines and Power, Government of India

The Committee had an interview with the Hon'ble Mr. N. V. Gadgil, Minister for Works, Mines and Power, Government of India, on 29th September 1947 when the following subjects were discussed:

Mineral resources and policy;
Irrigation and Power projects; and
Electricity Supply Bill, etc.

Interview with Mr. G. R. Kamat, I.C.S., Chief Controller of Imports, Government of India

The Committee had an interview with Mr. G. R. Kamat, I.C.S., Chief Controller of Imports, Government of India, on 28th July 1947 when discussion took place on the following subjects:

Administrative arrangements;
Duration of the present arrangement;
Prohibited list;
Quota items;
Proof of imports and basic years;
New entrants and direct consumers;
Limitation in value;
Revalidation of licences;
Proof of firm order;

Goods ordered before coming into force of the control; and

Machinery for considering difficulties of a practical nature, etc.

Interview with Mr. M. E. Rehman, Chief Controller of Exports, Government of India

The Committee met Mr. M. E. Rehman, Chief Controller of Exports on 8th August 1947, when the following points were discussed:

1. Review of the existing Export Trade Control.
2. Exports of Cotton.
3. Export of Oilseeds and oils.
4. Newcomers and amount of fees for applications.
5. Exports of Indian toilet requisites to Egypt.
6. Export of wooden furniture and cabinetware.
7. Control on exports of drugs and medicines, and
8. Exports of bones, bone-meal, grist, etc.

Meeting of the Members of the Chamber with the Honourable the Prime Minister and other Ministers of the Government of Bombay

The President, Mr. Ratilal Mulji Gandhi, convened a meeting of the members of the Chamber at the Taj Mahal Hotel on 21st April 1947 when the Honourable Mr. B. G. Kher, the Prime Minister, and other Ministers of the Government of Bombay were present. The meeting was held to provide an opportunity for personal contact and for an informal exchange of views between the Ministers and members of the Chamber.

Interview with the Hon'ble Mr. Dinkerrao Desai, Minister for Civil Supplies, Government of Bombay

The Committee met the Hon'ble Mr. Dinkerrao Desai, Minister for Civil Supplies, Government of Bombay, on Monday the 16th June 1947 when the following questions were discussed.

(1) Food Supplies;
(2) Import Restrictions;
(3) Supply position of pulses;
(4) Restriction of normal trade channels;
(5) Need for greater consultation; and
(6) Cloth control.

Interview with Mr. A. D. Azher, Indian Trade Commissioner-designate for Australia

The Committee had an interview with Mr. A. D. Azher, Indian Trade Commissioner-designate for Australia on 30th April 1947 when questions relating to Indo-Australian trade were discussed.

Delay in Response to Letters addressed to Indian Trade Commissioners Abroad

In a letter dated 4th November addressed to the Director of Commercial Intelligence, Calcutta, the Committee referred to the complaints in regard to important commercial enquiries from India not being properly attended to by the offices of the Indian Trade Commissioners abroad. The Committee stressed that offices of Indian Trade Commissioners abroad should have attached to them full-fledged enquiry department which could answer all trade enquiries from this country and furnish all information to merchants and firms regarding trade possibilities. They also invited the attention of the Government to the delay in receiving replies from Trade Commissioners due to Trade Commissioner's replies being sent to the Director of Commercial Intelligence and not direct to the parties from whom the enquiries emanated. They requested Government to give their immediate attention to this matter.

The Director in his reply dated 10th December 1947 stated that only firms of known standing were usually introduced to overseas firms and therefore some delay occurred in the disposal of such communications as enquiries were required to be made in regard to the standing of such firms. It was added that in case of firms registered with the Department the information was immediately transmitted on receipt.

Trade and Industrial Delegations to other Countries

In a letter dated 8th April 1947 addressed to the Government of India, enquiries were made in regard to the proposals of the Government of India to send Trade and Industrial Delegations to foreign countries and were requested to furnish to the Chamber detailed information regarding the proposals particularly in respect of the various countries to which Government intended to send delegations in the immediate future and the manner and method of fixing up the personnel of such delegations, etc. Government in their reply dated 12th July 1947 observed that Trade Delegations to any particular country were decided upon after giving due consideration to the commercial relations with that

country and the probable benefits that were likely to result and that the personnel of the delegation in each case was selected having regard to the object of the delegation. It was added that any inquiries or request for assistance from the delegation should be addressed to the particular department of the Government of India sponsoring such a delegation. It was added that the Government proposed to send in the very near future a delegation representing the interests of the South Indian Tanning Industry to Europe and U.S.A.

Supply Department Tenders requiring Information regarding Percentage of Agents' Commission

The Committee in their communication dated 19th April 1947 addressed to the Government of India referred to the D.G.I. Tenders requiring information regarding agents' remuneration and the percentage rate of landed cost and stated that the agents' commission should not have been made one of the items for specific information. Such information was considered as a trade secret and could be disclosed only to the detriment of the parties concerned. The Committee requested that the item should be deleted in the tenders referred to above.

Desirability of arranging Disposals through Trade Associations

In their communication dated 20th March 1947 addressed to the Government of India, the Committee represented the difficulties of the Cinematographic Importers' Association in regard to Government disposal of cinematographic apparatus, equipment, etc. The Association had offered their services for arranging disposal of the stock of all cinematographic apparatus and equipment, which offer had not been favourably considered by the authorities concerned. The Committee in this connection drew attention to the discussion the representatives of the Chamber had with the two members of the Disposals Enquiry Committee in November last when it was suggested that Government should be requested to consider the feasibility of entrusting the work of disposal of particular goods to trade associations concerned. The Committee urged again that the above suggestion should be implemented and the Cinematographic Importers' Association should be entrusted with the work of disposal of the goods with which they were concerned.

Government in their reply dated 23rd May 1947, observed that the Dispossals Enquiry Committee had enquired into the various matters of disposals and come to the conclusion that the use of agency as a method of disposal was not

desirable. The Government of India had agreed with the above recommendation of the Enquiry Committee. Since the offer of the Cinematographic Importers' Association came under the above category, it was regretted that it was not possible to agree to the same.

Treatment of Enemy-owned Patents

In a telegram dated 8th April addressed to the Government of India the Committee recalled the previous correspondence on the above subject and reiterated that steps should be taken to secure for India adequate share of German-owned patents for utilisation for furtherance of India's industrial development. It was suggested that Government should collate information regarding enemy-owned patents and make it available to the public. They further urged that the Indian Delegation to the International Conference on Trade and Employment should be instructed to give its attention to this problem.

Questionnaire regarding Development of Rural Handicrafts and Industries in Bombay Province

In a communication dated the 15th January addressed to the Government of Bombay, the Committee submitted their views on the above questionnaire. They felt that primarily the interests and conditions of the Farmer and the Artisan should be the main object of improvement by Government, if the industrial conditions in the Province were to be developed on a satisfactory basis. The subject was treated in detail by the Committee in their representation. The farmer needed cheap money facilities, good marketing conditions, and cheap transport for his well-being. It was suggested that co-operative credit societies should be charged with the responsibility of providing the above facilities. In regard to the artisan, it was deprecated that village industries and handicrafts were gradually dying out as a result of lop-sided development of industries in the urban areas. The artisan must be given encouragement by helping him to start many small industries which would bring him back to his former economic usefulness.

Difficulties experienced in obtaining Suitable Sites for Industrial Purposes

The Committee in a letter dated 21st July 1947, addressed to the Government of Bombay, referred to the difficulties experienced in getting suitable sites for industrial purposes, and observed that the question of exploring possibilities of using new areas in the vicinity of the city for

purposes of setting up of factories was assuming great importance and that Government should in the Post-War Reconstruction Plan give adequate attention to the above problem. They mentioned that there was a big area of land 2 miles away from Wadala known as Mohol Anil Village near to Chembur. The use of the above area was at present being prevented due to absence of facilities of a direct connecting road to that area. It was suggested that the construction of a two-mile road between Wadala and Pirpoa would connect that area to the city and thereby enable the sites in that area to be used for purposes of putting up factories. They requested that Government should examine the feasibility of the above suggestion.

Permission for Overtime Working to Factories

At the instance of the Mahratta Chamber of Commerce and Industries, Poona, the Committee addressed the Commissioner of Labour, Bombay, pointing out the unfair treatment meted out by the Chief Inspector of Factories to Messrs. G. G. Dandekar Machine Works Ltd., Bhivandi, by refusing them permission to work overtime on the ground that the Factory should not have accepted orders which it was not in a position to fulfil by the normal working hours. The Committee felt that it was not within the competence of the Inspector to consider the above argument as the basis for his refusal. They referred to the need for increased production in the country and stated that if factories were not allowed to work overtime subject to considerations of general well-being of labour, the policy of Government to encourage increased production would be frustrated.

Control Order over Agricultural Machinery and its Application to Marine Engines

At the instance of Messrs. Shaparia Dock & Steel Co. Ltd., a member-firm of the Chamber, the Committee in their communication dated 15th December 1947 drew attention of the Government of Bombay to stocks of marine engines belonging to the above Company having been frozen by the Authorities concerned under the Bombay Essential Commodities and Cattle Control Act (1946). It was contended that the provisions of the above Act could not justifiably be applied to the marine engines which could not be classed as agricultural machinery. They urged Government to reconsider their above decision and release the consignment of marine engines to the owners.

New Scheme for Distribution of Iron and Steel

In a letter dated the 16th January addressed to the Department of Industries and Supplies, Government of India, the Committee drew their attention to the practical difficulties that would result from the operation of the above scheme accentuating the non-availability of iron and steel by various classes of consumers. Referring to the quotas of iron and steel for allocation as between the bulk and industrial consumers through the Central Government and the ordinary consumers through the provincial governments, they suggested that, while efforts should be made to increase indigenous production as well as imports from foreign countries, the quotas for distribution in the provinces for the day-to-day use of the ordinary consumers should be increased. They further observed that though they had no objection to the Central Government fixing quotas for distribution among large-scale consumers, the actual allocation and distribution to such bulk consumers should be entrusted to the respective Provincial Governments. While urging this, they maintained however, that in the actual process of distribution of steel to the consumers, the normal trade channels should be allowed to function. They also suggested the setting up by the Provincial Governments of *Ad Hoc* Committees representing the trade interests to advise Government on all matters relating to the distribution of iron and steel.

Allotment of Steel for Civilian Consumption under the Iron and Steel Control

In a letter dated 22nd September, addressed to the Government of India, the Committee referred to the question of a scheme of distribution of iron and steel for civilian consumption. They recalled the previous representations that they had made to Government in this connection wherein they had stressed the need for efforts for improving the overall supply position and intensifying efforts for increased import assistance and for rationalising the method of distribution, as also for the need for revision of the existing import policy in respect of iron and steel, whereby over and above the facility granted to consumers for arranging direct imports, the established trade interests would also be simultaneously granted import licences. They pointed out that the supply position had continuously deteriorated and urged that Government should make all possible efforts for increasing the imports of these goods. In this connection, they particularly referred to the reported decision of Government to the effect that no quotas of steel would be given to any industry for period IV of 1947. They pointed out that the total stoppage of

supplies of such an essential article would lead to the disorganization of manufacturing activities and would practically tend to stop the activities of industries concerned with the processing and fabrication of steel. They, therefore, suggested that some scheme of distribution should be worked out which would ensure a pro-rata allotment of supplies for all types of consumers. In this connection they also mentioned the fact that the disposal organization was moving very slow with the result that large quantities of steel available for disposals could not be moved into trade channels for the utilisation of the industries concerned. They urged that Government should take steps to expedite the procedure with a view to bringing about some tangible relief in the existing supply position of steel.

Government in their reply dated 21st November 1947 informed the Committee that the present system of granting licences only to consumers was the best under the prevailing circumstances. As the imported steel could be had at comparatively very high prices, such import would bear adversely on the internal price control at present existing. They, however, expressed the hope that the importers would willingly pass foreign offers in their hands to genuine consumers at reasonable commission. It was also stated that an *Ad Hoc* Advisory Committee consisting of the representatives of the important steel works as also associations interested in the steel trade was looking after matters in regard to the operation of the steel control. They further informed the Committee that an estimated volume of nearly 1,050,000 tons of indigenous and imported steel was the basis for the allocations in the year. The allotments for the three quarters were made on the above basis. Subsequently the production of steel fell owing to extraneous difficulties like the labour troubles, etc.; as a result the allocation for the fourth period was very much short of the actual needs. 96,000 tons of steel were however, distributed to the various types of consumers in period IV—1947. They also assured the Committee that Government was doing their best to distribute the disposal surpluses amongst the consumers as early as possible.

Inclusion of Imports of Iron and Steel in the Open General Licence

In a telegram dated the 8th February addressed to the Hon. Member for Industries and Supplies, Government of India, the Committee referred to the difficulties experienced by merchants in securing supplies of iron and steel, and urged that efforts should be made to increase available supplies by

arranging for increased imports. In this connection they observed that the importers here who were in a position to import such available supplies from foreign countries were hindered by the formalities connected with the issue of import licence for iron and steel, as a result of which they were not able to make firm contracts in respect of offers for imported supplies in time because of the delay involved in obtaining the licence. They, therefore, urged that to obviate such difficulties the imports of iron and steel should be allowed under an Open General Licence.

In their telegram dated 1st April 1947 addressed to the Government of India the Committee drew attention to the Government Notification dated 20th March 1947 in terms whereof import licences in connection with iron and steel would be issued freely to genuine consumers subject to their undertaking not to re-sell such goods. While they had no objection to the decision of Government to allow import of iron and steel directly by consumers they at the same time pointed out that it was necessary to arrange that licences should be freely granted to established trade interests importing iron and steel. It was felt that in many cases consumers would not be in a position to negotiate for large stocklots of iron and steel which were usually offered by the exporting countries. Mostly the consumers met their requirements through the agency of importers, traders and merchants. It was urged that Government should issue the necessary import licences to manufacturers' representatives and importers of iron and steel along with the consumers.

Supply of Steel Sheets for Fabricating Containers Drums for Packing Chemicals

In a letter dated 21st August addressed to the Director-General of Industries & Supplies, the Committee referred to the application of the Pioneer Magnesia Works Ltd., Bombay, for supply of steel sheets for fabricating containers. Under the changed procedure in regard to the allotments of steel for fabricating containers, the above firm was required to place orders with the organized container manufacturers for their supplies of drums to whom the necessary steel would be released by the Department. The Committee pointed out that it would be very difficult to find adequate transport for conveying thousands of containers from Bombay to Kharaghoda within a reasonable time. While, on the other hand, arrangements could be made for supplies of steel sheets at their works at Kharaghoda, transport of which could be arranged within the limit of 4 to 5 wagons. They, therefore, urged that the

case of the Pioneer Magnesia Works Ltd. might be reconsidered and their request for supplies of sheets acceded to.

Cloth Supply and Distribution

In their telegram addressed to the Government of India the Committee drew attention to the great dissatisfaction prevailing in the country as a result of the maldistribution of cloth supplies. They felt that having regard to the existing unsatisfactory state of affairs, the continuance of control on cloth distribution should be lifted at an early date, to ease the situation in regard to the supply of cloth to the public. There might be temporary and initial difficulties as a result of the control being lifted, but they were of the view that the same would disappear by bringing free play of normal factors in the sphere of supply and distribution. The artificial position created by maldistribution of cloth production in the country had become unbearable and it was upto Government to take the bold step of lifting the control with a view to bring relief to the suffering public.

Supply of Non-rationed Cloth to Government and Quasi-Government Bodies, Industrial Undertakings, etc.

The Committee in their letter dated the 3rd January 1947, addressed to the Textile Commissioner, drew attention to the injustice done to the Cawnpore Mills Depot by depriving them of their quota under the zonal quota system for the supply of non-rationed cloth to Government and quasi-Government bodies, industrial undertakings, etc. At the instance of the Textile Commissioner, the Depot approached the Provincial Textile Commissioner for allotment of their quota, which was, however, refused. It was pointed out that, while certain European firms were continuing to obtain their quota, the Cawnpore Mills Depot were refused their just right for no substantial reasons. The Textile Commissioner, in his reply dated 31st January 1947 informed the Committee that the Provincial Textile Controller was the proper authority to be approached in the matter. The Committee in a further communication dated the 6th February drew attention to the unreasonable attitude of Government in directing the Depot to approach the provincial authority for redress of its grievances, which authority in turn informed the party that it was not in a position to give them any direct assistance which only the Textile Commissioner could give. The Committee pointedly asked whether Government was justified in giving facilities to non-Indian firms which were denied to the nationals of the country.

Supply of Non-rationed Cloth

In a letter dated the 16th October addressed to the Department of Civil Supplies, Government of Bombay, the Committee referred to the reports that they had decided to sell items of non-rationed cloth like tapestry, mosquito-nettings, etc. in Bombay only through the Government grocery shops and, therefore, in future, no allotment of such cloths would be made to stores and establishments normally engaged in cloth trade. They observed that if the information was correct it would mean that the Government of Bombay were introducing a new policy whereby established channels of trade would be eliminated and Government themselves would undertake and direct trade activities. They added that even if it was necessary for public convenience to run grocery stores there was no justification for eliminating the normal trade channels by confining the sale of certain goods exclusively to Government-run stores. They requested Government to reconsider the position and arrange that the supplies of goods in question were allowed to be sold through the normal trade channels as in the past.

The Provincial Textile Controller in a reply dated 8th November, stated that tapestry cloth was available in good quantities whereas mosquito netting and handkerchiefs were available only in small quantities. It was Government's intention that instead of distributing these qualities among all the retail shops in Bombay and also with a view to have some sort of control over the shops selling these varieties, the sales of these varieties should be restricted to a limited number of shops. Though circumstances had necessitated the confining of sales of such cloths only through Government Grocery Stores, it was not the intention of Government to confine the sales only to Government servants.

Fixation of Rates for Hand-Printing and Hand-Dyeing

The Committtee had represented to the Government of Bombay that the rates fixed for hand-printing and hand-dyeing did not take into consideration the incidental charges borne by the industry in the process of hand-printing and hand-dyeing as recorded in the Summary Report of the Committee for the year 1946. The Provincial Textile Controller in his reply dated 15th March 1947 informed the Committtee that Government had fixed the charges after careful consideration and that they did not think it necessary to revise the same.

Difficulties of the Indigenous Cotton Rope Industry

In a letter dated 6th November addressed to the Government of India the Committee pointed out the difficulties

experienced by the indigenous cotton manufacturing industry as a result of the import of ropes being placed under open general licence due to which free imports of ropes would be allowed to the detriment of the indigenous industry. They pointed out the progress made by the indigenous industry during the course of the war and thereafter and stressed that the industry had reached a stage when it was in a position to entirely meet the needs of the country in regard to cotton ropes. They, therefore, requested Government to make the import of cotton ropes subject to licence. They also pointed out that the industry was suffering on account of allotment of insufficient quotas of yarn as a result of which the industry was compelled to curtail its manufacturing activities. It was suggested that Government should actively help the industry by procuring for it spinning plants from abroad to enable it to manufacture its requirements.

The Committee also addressed on the 6th November the Textile Commissioner in regard to insufficient quota of yarn allotted for cotton rope manufacturing industry and urged that the industry should be helped to secure adequate quota of yarn and that further active consideration should be given for procuring for the industry spinning plants from abroad for the industry to produce its requirements of yarn.

Allocation of Timber to Bobbin Manufacturers

The attention of the Committee was drawn to the decision of the Government of Bombay to restrict supplies of timber to factories situated within the province. The decision, if implemented, would seriously affect the bobbin factories situated in Indian State territories, whose products were in great demand by the mills situated in the presidency. The Committee in their communication addressed to the Textile Commissioner expressed the apprehension that the factories situated in Indian State territories and serving the demands of the mill industry in the presidency would be rendered idle by the enforcement of any such restrictive policy. The mills using such products would also suffer hardships as a result thereof. It was urged that in the matter of allocation of timber, the bobbin factories situated in Indian States territories should also receive consideration.

Fixation of Prices for Cotton Seeds

The Committee in their communication dated 27th March 1947 addressed to the Government of Bombay, drew attention to the difficulties experienced by the Kapas merchants in Dhulia and East Khandesh Districts as a result of delay in fixing the prices of cotton seeds after the season

had started. As prices had not been fixed at the start of the season, the merchants had begun to acquire supplies of seeds at the prices prevailing in the markets. The District authorities subsequently issued orders to the gin owners and merchants restraining them from removing supplies of cotton seeds except with the permission of Government. Instructions were given for the supplies being delivered to approved parties who were nominees of Government at a provisional rate of Rs. 4/12 per Bengal maund, while prices ruling in the market were far beyond that rate. Thus stocks were frozen and a price far below the ruling price in the market was made the basis for sale by merchants. Government, however, had assured the merchants that the rate fixed was provisional and that the merchants would be given the difference when the final rate was fixed. Subsequently, the authorities fixed the rate at Rs. 6/12 per maund which, however, was later reduced to Rs. 4/12. The Committee felt that such an unwarranted reduction in the rate, to suit the convenience of Government, was not fair to the trade concerned. They made the following suggestions to give relief to the merchants concerned:—

1. The control should be announced well in advance of the season.
2. The control should not be subject to frequent and periodical changes.
3. The parties who were paid at the provisional rate were entitled to the difference between that rate and the controlled rate of Rs. 6-12.

Shortage of Paper in Ahmedabad

The Committee had represented to the Government of India, Department of Industries and Civil Supplies, that as a result of transport difficulties, Ahmedabad had been deprived of large quantities of paper which the city was entitled to receive under the quota fixed by Government. The Government had ordered the mills that if the quota for a particular quarter remained unfulfilled, the same should be treated as cancelled. In particular they referred to the complaints of Messrs. N. Desai & Co. of Ahmedabad who are the distributors in Gujerat and Kathiawar for Messrs. Shree Gopal Mills Ltd., to the effect that owing to such cancellation of the unfulfilled quotas, the regular customers were put to hardship. The Government in their reply observed that urgent instructions had been issued to Messrs. Shree Gopal Paper Mills Ltd., to supply the full quantity of paper allotted to Ahmedabad during the current quarter. It was further observed that undespatched balances of a particular quarter went into a pool and were taken into account for redistribu-

tion for the next quarter. It was, therefore, not possible to make up the unfulfilled part of the quotas of previous quarters.

The New Scales of Licence Fees and Town Duties

In a letter dated 8th July 1947, addressed to the Municipal Commissioner for the City of Bombay, the Committee referred to the new scales of licence fees that had been recently introduced by the Municipality in the City of Bombay. The Committee regretted that they were not given an opportunity to examine the proposal with a view to its possible repercussions on the activities of the business community. Under the new schedule of licence fees the old scale of fees had been doubled with certain exceptions and secondly the new schedule levied an additional fee over and above the maximum fees on all quantities exceeding the specific maximum limit at a rate based on every specific additional quantity above the maximum. This additional fees to say the least would affect the trading community in the city most adversely and they, therefore, urged upon the municipal authorities to withdraw the additional fee that was now being charged over and above the maximum fees. With regard to the town duties they pointed out that the rate of the same on tinned provisions was high and would result in the increase in prices of tinned provisions. They also referred to the practical difficulties that would result by the levy of town duty on tinned provisions. In view of the fact that these goods were got from outside the city limits and in many cases sold to upcountry centres in split-up lots, the merchants would be required to maintain statistics of all the quantities of goods despatched to upcountry centres in split-up lots for purposes of claiming refund of town duties paid thereon. They, therefore, suggested that the town duty on tinned provisions should be removed.

Levy of Town Duty in respect of Products of Factories situated within Greater Bombay Area and brought into the City for Internal Distribution

In a letter addressed to the Municipal Commissioner, Bombay, the Committee referred to the practice of the Municipality of levyiing town duty on products of factories situated within the Greater Bombay area, when such products were brought into the city limits for storage or distribution. They pointed out that Government had themselves found it necessary to evolve a Greater Bombay scheme and that it was now a recognised policy to encourage the establishment of new factories in areas which might not be strictly within the Municipal limits, but which were all the same within Greater Bombay. They, therefore, suggested that

articles produced within the Greater Bombay limits and brought into the city for storage and distribution should not be made liable to the levy of town duty. They particularly referred to the instances of the levy of town duty on tinned provisions. There were many factories within Greater Bombay area manufacturing Biscuits and confectionery which would be liable to pay the town duty on their moving the stocks of biscuits and confectionery into the city for being stored for purposes of subsequent distribution. They requested that the Municipal Corporation should as a general policy lay down that the products of factories situated within the Greater Bombay limits brought into the City Municipal Limits for purposes of storage and distribution should not be made liable to town duty.

The Municipal Commissioner in his reply dated 11th August observed that under the provisions of the City of Bombay Municipal Act it was mandatory to levy town duty on articles imported from any place into the city and that under the Act, the city was the City of Bombay and not the area covered by Greater Bombay. Accordingly products of the suburban factories could not be exempted from the levy of town duty. The Committee in their letter dated 28th August addressed to the Government of Bombay referred to the above correspondence and pointed out that in view of the mandatory character of the provisions of the Act it was not possible for the Municipality to waive recovery of town duty for goods "Imported" into the City limits from the Greater Bombay area. They, therefore, requested Government that pending the undertaking of the necessary legislation for implementing the Greater Bombay Scheme, Government should make some interim arrangement so as to afford some relief to the products of industries located within the Greater Bombay area when they were brought into the city limits proper.

Levy of Octroi Duty on Electricity by the Thana Municipality

The attention of the Committee was drawn to the proposal of the Thana Municipality for levying an octroi duty on electricity consumed in Thana for domestic and commercial purposes. The Committee in a letter addressed to the Borough Municipality, Thana, pointed out that it was a moot point whether they were justified in imposing this new levy. Apart from their objections based on legal and constitutional standpoints the Committee pointed out the inappropriateness of levying tax on the use of electricity. They pointed out that industrial concerns in Bombay were exempted from the

payment of duty on electric energy, and that, therefore, the mills located in Thana would be placed in a position of disadvantage in comparision with those located in Bombay. They urged that in the interest of encouraging the industrial and commercial activities in Thana, the municipality should abandon the proposal for levy of duty on the electricity consumed for commercial purposes.

Town Duty on Plywood Products

Messrs. Kamdar Limited, a Member-Firm of the Chamber, had represented to the Committee that Plywood products imported by them into the Bombay City, although not being sold in the market and being used by them in the manufacture of furniture were subjected to the town duty at the rate of 3% of the market value of the article and that the market value was assessed on the basis of f.o.r. Bombay cost plus 20%. The Committee in a letter addressed to the Bombay Municipality referred to the above position and pointed out that the products imported by the Company into the Bombay City, were being used in the manufacture of furniture, and as such, the town duty levied on the 20% of the total cost should be made refundable in such cases. They urged that the request of Messrs. Kamdar Limited would be examined and the relief would be given to them.

The Municipal Commissioner in his reply dated 6th November 1947, maintained that the purposes for which plywood was imported were immaterial for determining the levy of town duty under the Municipal Act. Apart from this, it was added that some profit would be made on the sale of the furniture in which the plywood was used if not on the plywood itself. It was, therefore, not possible to consider the claim for refund of town duty collected on plywood imported into this city for use in the manufacture of furniture.

Appointment of Advisory Councils and Committees in connection with the Import Trade Control

In a letter dated 10th September addressed to the Chief Controller of Imports, the Committee suggested that Government should set up some machinery for examining difficulties of a practical nature that might arise in the administration of the new Control scheme, and that advisory committees might well be constituted at Port Centres to advise the Import Trade Controller in respect of specific cases of hardships resulting from the import trade control. They suggested the setting up of an Import Advisory Council on the lines of the Export Advisory Council now functioning which could be charged with the function of reviewing the supply position on

an all-India basis of all essential requirements of the country and advise Government regarding the extent of the import assistance that might be necessary in respect of the major items of import. Similarly they also suggested the setting up of Local Advisory Committees at different Port Centres to advise the Import Trade Controllers at the respective Ports on difficulties of a local character arising out of the application of the general principles and the implementation of the policy. They further observed that if their proposal for setting up of a Central Advisory Council and the Port Committees was accepted, they would in due course make suggestions regarding the composition of the council and the committees.

Difficulties arising out of the Changes in the Import Policy

The Committee in a telegram dated 25th June 1947 addressed to the Commerce Department, Government of India, referred to the notifications and Press Note issued on the 15th May, outlining revised import trade control policy and observed that there was a feeling of uncertainty in trade circles regarding administrative process of giving effect to the revised policy. They pointed out that the process of examining large number of applications for revalidation and passing and communicating to the applicants, necessary orders thereon would inevitably involve delay as a result of which importing interests would not be in a position to go ahead and complete the further stages of the transactions. In order to obviate the above practical difficulties, the Committee suggested that current licences should be automatically revalidated till the end of September 1947, and that the procedure of revalidation of individual application should operate only after that date.

Import Trade Control

The Committee in their letter dated 16th July 1947 referred to the Press Note issued by them on 26th May, regarding the revision in the Import Trade Control Policy and stated that the same would, to a certain extent, place agents or representatives of British and American manufacturing interests doing business in this country in a position of advantage over Indian importers. It was provided in the Press Note that in cases where business which was not generally carried on on the basis of Letters of Credit, licences would be valid for shipment upto 30th September 1947. They pointed out that the representatives in this country of foreign manufacturing houses would be enabled to import goods upto 30th September; whereas importers who were

not such representatives would be allowed to import goods only if the goods were shipped before the 30th June 1947. They urged that Government should take steps with a view to placing all importing interests on a footing of equality.

Difficulties connected with Import

In a letter dated 22nd July 1947, addressed to the Department of Commerce, the Committee referred to the difficulties experienced by the Importers as a result of the various import trade control notifications issued by Government recently. Importers of dates had pointed out that the imports of dates were obtained from the Middle-East countries and as such they were being paid in rupees. It was therefore felt that no exchange difficulties could arise in regard to such imports and, therefore, the limiting of imports of dates only to the extent of the c.i.f. value mentioned in the licences was not justified. In regard to the difficulties of the Importers whose lines of imports were totally prohibited, the Committee suggested that Government should accommodate such importers and give them licences in other categories with a view to give them relief. Under the recent restrictions import licences of photographic sensitised paper would be valid for shipment upto 30th June 1947 and provision was made for granting of new licences on the basis of imports in 1945-46. The parties who had no imports in that particular year, would have to cease producing real photo prints in mass quantities. The Committee suggested that some relief should be given to such new industries.

With regard to the imports of cycle accessories for which licences would be issued for the July/December shipment period on the basis of 1945/46 imports, the Committee represented that some parties though they had very little imports to their credit for the basic year, had made large commitments during 1946-47, and therefore provision should be made for some relief in such cases. With regard to revalidation of current import licences upto December 1947 Item No. 44 relating to glasses of all sorts had been omitted. The Committee pointed out that glasses of all sorts were being supplied to Railways and Municipalities and other public bodies and that it would result in great hardship if the urgency of the import for this item was not considered. It was suggested that Government should look into the above difficulty.

In their letter dated 25th July 1947, the Committee referred to Public Notice No. 797 outlining the basis for the issue of licences for import of goods included in Part IV of

the Import Trade Control Schedule. Licences for the import of goods covering a number of items in the schedule, would be granted in accordance with the quotas based on previous imports under the basic year marked against each item in the schedule. The Committee forwarded to Government various cases in which the basic year selected for the purpose was unsuitable from the point of view of the trade interests concerned, and would materially affect the quantum of goods which would be licensed on the same basis.

Dry Fruits other than Dates.—The basic year fixed for dry fruits other than dates was 1941/42, but it was represented by the trade that in that year the imports were almost negligible and that, therefore, Government should adopt some other reasonable basis under which normal requirements of the country in respect of such food supplies would be licensed.

Cinematograph Films.—The Committee referred to the representation of the Cinematographic Importers' Association pointing out that for various reasons, the basic period 1945/46 was not the normal period, and, therefore, the year 1946/47 in which conditions were more normal should be treated as basic period on the basis of which licences for the new shipping period should be issued.

Artificial Silk and Yarn and Thread.—The basic period fixed for this item was 1945/46, but the Committee pointed out that during that period imports were very limited; that, therefore, some other suitable basic period should be decided. In this connection they also suggested that Government should consider the feasibility of giving prescribed percentage of licences to import artificial silk yarn direct to artificial silk mills on a basis related to the manufacturing capacity with a view to making available to the industry, its requirements of raw material directly and regularly.

Import of dates

The Committee in their letter dated 10th September 1947, represented the Chief Controller of Imports, the desirability of allowing dates to be imported in larger quantities. The Controller in his reply dated 30th October 1947, observed that the demand for dates was likely to be considerably reduced with the partition of the country as the consumption was mostly in parts which had joined the Dominion of Pakistan. Because of this and especially in view of the exchange limitations, it was not possible to revise the basis of licensing imports of dates.

Clearance of Consignments on Bond

The Committee in a letter dated 21st November 1947, addressed to the Central Board of Revenue and the Chief Controller of Imports, referred to the administrative arrangements in the matter of clearance of consignments on Bond. They pointed out that on occasions clearance on bond was necessitated because of the fact that licences were held up in possession of the Customs authorities in other ports. The procedure of obtaining, by the Customs authorities at the port at which the goods were received, of the relevant licences from the Customs authorities in whose possession the same were lying, involved a considerable delay as a result of which the consignee was at times not in a position to produce the licence within one month of the date of the execution of the bond and, therefore, was made liable to pay a penalty. In this connection, they brought to the notice of the authorities specific instances of such hardships and suggested that as the delay in the submission of licences within the stipulated period was caused due to factors not within the control of the importer, provision should be made in the administrative arrangements freeing such cases from the liability to penalty.

Import Trade Control and Consideration for New Entrants

The Committee in a letter dated 14th August 1947, addressed to the Chief Controller of Imports, referred to the position of new entrants to the import trade and who were not entitled to quotas on the basis of previous imports in the basic years. They suggested that just as in the case of the recent arrangements for exports in respect of controlled items, provision should be made for reserving a percentage of entire quota for being allowed to new entrants. They urged that the Government should examine this aspect at an early date so that the proposals of Government for making necessary provision for import licences being granted to new entrants upto a prescribed percentage might be announced sufficiently in advance of the next shipping period.

Difficulties arising out of Delay in issuing Import Licences

It will be recalled that the Committee had drawn the attention of the Government to the difficulties arising out of delay in issuing import licences and the desirability of dispensing with the requirement of the name of the suppliers being mentioned in such licences, as published in the Summary Report of the Committee for the year 1946. The Government in their reply dated 31st March 1947 observed as under:

(1) The licences in connection with Messrs. Walchandnagar Industries were delayed as a result of their import requirements being capital goods which necessitated consultation with the Food Department and Machine Tool Controller. It was added that the capital goods restrictions having been abolished, no such difficulties would be experienced in future.

(2) With regard to the requirement of the name of the exporter on such licences, it was stated that there was no difficulty in changing the name of the supplier in case the importer could not close the deal with the contracting party. An assurance was given that no undue delay would be caused in regard to such changes when necessary.

Difficulties regarding Clearance of Goods in the Absence of Original Import Licences

In a telegram dated 3rd September 1947, addressed to the Chief Controller of Imports, the Committee drew his attention to the difficulties caused by the present procedure of sending the original licences to Government at Delhi for purposes of revalidation. The Committee pointed out that in some cases part shipments made before 30th June continued to arrive and the revalidation of the original licences would involve a considerable delay; in the meanwhile customs authorities would not allow clearance of shipments in the absence of original licences. To obviate this difficulty they suggested that the Deputy Chief Controller of Imports in Bombay should be authorised to revalidate licences which were as a matter of course entitled to be revalidated or alternatively to issue certified duplicate copy of the licences for customs purposes before licences were sent to New Delhi for validation. They pointed out that in the absence of some such arrangements the importing interests would be subjected to avoidable charges by way of demurrage.

Revalidation of Licences

In a letter dated 28th November 1947, addressed to the Chief Controller of Imports, the Committee referred to the difficulties experienced by Messrs. J. B. Advani & Co. Ltd., in regard to the release of goods manufactured and warehoused on or before the 30th June 1947 in respect of which payments were made against receipts during July 1947. They forwarded the facts of the case to the Controller and observed that it was obvious from the particulars furnished that the consignments in question were manufactured and

warehoused on or before 30th June 1947, i.e. before the coming into force of the Import Trade Control, in its present form. The terms and conditions and the letters of credit allowed no choice to the parties and they had perforce to make payments. The Import Trade Controller, however, declined to give the necessary release on the ground that licences were not revalidated and the Customs authorities would allow them to clear the consignments only on their agreeing to pay 25% extra by way of penalty. The Committee requested the Government to consider the exceptional nature of the case and arrange for the goods in question to be released without imposing any penalty.

Government in their reply dated 18th December 1947, informed the Committee that the consignment of the Company had since been released.

Import of Boards and Kraft Paper

The Committee in their communication dated 14th March 1947 addressed to the Government of India drew attention to the shortage of supplies of Kraft Paper and Boards in the country and suggested that the above two items should be placed under the Open General Licence for purposes of import having regard to the fact that the total indigenous production of these items was not adequate to meet the requirements of the country.

The Government of India in their reply dated 22nd April informed the Committee that in view of the indigenous production of Kraft Paper and paper boards, it was not possible to allow the imports of these articles under Open General Licence.

Ban on Import of Rubber Goods into India

The Committee in a letter dated 8th October 1947, addressed to the Government of India, referred to the Government notification banning issue of import licences for the import of rubber goods, such as rubber tyres and tubes, rubber bands, etc. and in this connection, they placed before Government a suggestion they had received from the Indian Rubber Inddustries' Association, Bombay, that in addition to the above, other rubber goods, viz.: pedals, brakes, rubber handles and such other cycle accessories should also be included in the list of rubber goods whose imports were prohibited. They pointed out that they had ascertained from the cycle manufacturing interests that if additional rubber goods such as above stated were completely stopped from being imported, no difficulties would be experienced by the

consuming interests, as these goods were being made available in sufficient quantities by the Indian manufacturers. They, therefore, urged that Government should examine the question of the inclusion of cycle accessories in the list of rubber goods, imports of which were prohibited from abroad.

Import of Electric Cells for Torches into India

The Committee in their communication dated 18th April 1947 addressed to the Government of India drew attention to the case of Messrs. Pavri Sons & Co. who had inadvertently imported a consignment of cells used in torches from Hongkong in contravention of the existing ban on entry of such goods into India. As the consignment was liable to be confiscated by the Customs in view of the existing restrictions on import of such goods, it was urged that Government might examine the circumstances under which the Company were led to import the above goods in spite of the restrictions on the entry of such materials into India and allow such goods to be distributed as Government might deem fit. It was pointed out that the Company had been led to import the above goods on the basis of information that a few lots of cells had been allowed to be imported by the Bombay and Calcutta customs under the open general licence.

Import of White Technical Oil

In a letter dated the 18th January addressed to the Chief Controller of Imports, the Committee referred to the Central Advisory Lubricants' Committee Stock Conservation Scheme, under which the participating companies were given the facility of import licences for the import of white technical oil and enquired as to the conditions under which firms were allowed to participate in the scheme. The Controller in his reply dated the 24th January informed the Committee that the scheme in question had since been ended and that all those who desired to import the oil from abroad could submit applications to his office direct.

Control on Tapioca Flour

In a letter dated the 25th June addressed to the Textile Commissioner, Bombay, the Committee referred to the complaints to the effect that the imported supplies of Tapioca flour had been frozen and that there was considerable delay in obtaining release orders, and enquired whether it was necessary to freeze the stocks and whether arrangements could not be made for speedier instructions for releases.

The Textile Commissioner in his reply dated the 28th June informed the Committee that the stocks of Tapioca flour were not frozen, and that the importers were free to enter into contract of sale subject to release orders from the Textile Commissioner, which orders, it was stated, were being freely given in cases of sales made to consumers.

Fixation of Prices of Quinine Salts

It will be recalled that the Committee had addressed the Government of India protesting against their policy of fixing prices of quinine much below the landed cost at which the trade was able to import the different types of quinine, as published in the Summary Report of the Committee for 1946. Under the circumstances, the Committee had suggested that Government themselves should import adequate stocks of quinine and distribute the same through the usual trade channels. They had also made suggestions in the interests of the trade regarding the policy of freezing imported supplies of quinine.

Government in their reply dated the 8th February informed the Committee that in view of the world shortage of quinine, it was found necessary to impose effective control over the distribution and prices. With regard to the canalisation through normal commercial channels, it was stated that 40 per cent of all consignments were permitted to be distributed through trade channels at the discretion of the importer. Further, Government stated that the small stocks available in the U.K. were being imported through trade channels and were not available for Government purchase. The high prices of other brands of imported quinine were due to profiteering at the source. Imported consignments of quinine requisitioned by Government upto 30th September 1946 were paid for at landed cost plus a reasonable profit. Regarding imports made subsequently, the trade had sufficient notice of the maximum prices fixed, and therefore, no such concession was necessary in regard to such imports. The Committee were also assured that any stocks of quinine imported by the manufacturers for use by their factories would not be requisitioned henceforth.

The Committee in their further letter dated 18th July 1947 referred to the above and drew their attention to instances in which payments for requisitioned supplies had not been made on that basis, and urged that Government should review those particular cases and see that no injustice was done in the fixation of the amounts of compensation to the parties concerned.

Release of Consignment of Quinine Sulphate imported by Messrs. Alembic Chemical Works

In a letter dated 20th October addressed to the Department of Industries and Supplies, the Committee invited their attention to the correspondence exchanged between the Department and the Alembic Chemical Works, Baroda, on the above subject. They briefly narrated the circumstances under which it had not been possible for the Company to clear the consignment of 1,000 oz. of Quinine Sulphate imported by them from London before the 9th March 1947, on and from which date there came into operation an import regulation whereby it was necessary to have an import licence for importing Quinine Sulphate. On the grounds that the consignment was imported without a corresponding import licence, the Government had notified the Company that the said consignment would be confiscated. The Committee pointed out that since the consignment in question was not released before the 9th of March, on technical considerations, the same might come within the restrictions imposed by the Import Trade Controller's regulations, but the consignment actually arrived before the relevant regulation came into force and that, therefore, the grievances of the party were justified. Government should, it was recommended, re-examine fully the facts and circumstances of the case and lift the order of confiscation.

Government in their reply informed the Committee that the consignment in question had been released on certain terms and conditions.

Import of Consignments of Brake-fluids from U.S.A.

In a letter dated 13th August addressed to the Collector of Customs, the Committee referred to a copy of the letter addressed by the Bombay Motor Merchants' Association Ltd., in regard to the imports of consignments of brake-fluids from the U.S.A., clearance of which goods, till now being regularly imported, was withheld under orders of the Customs authorities. They requested, therefore, to clarify the exact position and the circumstances under which the Customs authorities had found it necessary to prevent clearance of the above goods.

State Trading in respect of Certain Articles for Export

The Committee in their telegram dated 2nd April 1947 addressed to the Government of India referred to the Press Report that the Honourable Member for Commerce intended in the first instance to issue tenders with regard to certain

articles meant for export. If such a system did not work well, it might be found necessary to adopt a full-fledged system of State trading. This new procedure aimed at giving licences for export to parties who might be new in the field and had no previous business to their credit. The Committee, however, objected to the possibility of State taking a hand in the business dealings. The Committee suggested that Government should elicit commercial opinion before taking final decisions in the matter.

Government in their reply dated 24th April 1947 regretted that it was not possible to modify the decisions already taken in the matter.

The Committee in a further communication dated 14th April 1947 mentioned that the aspect of State trading was involved in the proposals and urged that if the proposals were implemented, the right of private trading would be seriously jeopardised. It would also counteract the general Government policy of helping operations of trade through the normal trade channels. It was felt that before making such far-reaching changes in procedure and policy, Government should take the commercial community into confidence and circulate to them their proposals and elicit their views on the same. They, however, requested that Government should circulate the whole scheme before taking any final decisions thereon. In a further communication dated 29th April 1947 the Committee drew attention of Government to their policy of not allowing exports of oilseeds and edible oils and desired to know whether they were now satisfied with regard to the stocks of oilseeds and oils in the country which were proposed to be exported under the tender system.

Government in their reply dated 27th May 1947 forwarded for the information of the Committee, a Press Note dated 18th May 1947, explaining the Government policy regarding export of oilseeds and oils. With regard to the exportable surpluses, it was mentioned that the same had been worked out in consultation with the State and provincial authorities and that for the present, only a part of the estimated surplus would be allowed to be exported. Further exports would be allowed later if a review of the supply position justified such a course.

Export of Linseed and Linseed oil

In a letter dated 15th October addressed to the Ministry of Commerce, Government of India, the Committee referred to the Press Communique announcing quotas of linseed and linseed oil for export to various destinations outside India to

the extent of 14,000 tons of linseed and 4,150 tons of linseed oil and to a subsequent notification of the Export Trade Controller, Bombay, which mentioned that the quantities to be allowed as supplementary quotas would be 10,520 tons of linseed and 3,045 of linseed oil; and observed that according to the reports the difference between the quotas as originally announced and those announced by the Export Trade Controller had already been allotted to Australia and that no information had been given to the trade in respect of the same. They were also given to understand, it was mentioned, that the quotas out of this allotment to Australia were granted to parties who were given export quotas at the time of the last main allotment for Australia. They pointed out the injustice involved in the above procedure to trade interests generally and mentioned that quotas were issued in favour of many parties who were not at all previously in the seeds trade. They requested the Government to look into the matter and explain the exact position and requested for an assurance that in future all quotas in respect of oilseeds and oils would be distributed after full information about the same was given to the trade interests and ensuring that only parties who were interested in the trade would be allotted such quotas.

Government in their reply dated 15th November 1947, informed the Committee that Government had received urgent demands from the Australian Government for supplies of linseed and linseed oil against supplementary quotas and that therefore it was decided to allot quotas to persons who secured them against advance allotment on *pro-rata* basis. It was added that a further quota of 3,000 tons of linseed had been allotted for Australia and that fresh applications were being invited for the purpose.

Export of Oils and Oilseeds

The Committee addressed a letter and telegram to the Commerce Department, Government of India, in regard to the procedure prescribed for proving export commitments regarding application for licence for exports of oilseeds and oils under which it was provided that application should be accompanied by proofs regarding confirmed sale and letters of credit. They pointed out that it would be difficult to arrange for the shipper for a letter of credit for the full value of the quantity to be exported unless the importer at the other end was in a position to know the exact quantity which the supplier would be able to export. To obviate the above difficulty the Committee suggested that licences might be given without insisting on the prior production of the letters

of credit, providing, however, that if within a prescribed period after the grant of the licences, the necessary credit was not produced, the licences would be liable to be cancelled. Government in their reply dated 15th July 1947 observed that they had fully considered the condition requiring letters of credit in respect of export licences for oilseeds and oil and that it was not possible to dispense with the requirement altogether. It was added that in case where letters of credit could not be produced for technical or other reasons guarantee certificates of payments from Banks or Officials in importing countries would be accepted in lieu of letters of credit.

In a further letter dated 29th November 1947, they pointed out the sense of dissatisfaction prevailing in the importing countries over the present arrangements; the main complaint was that they were reluctant to place business until the position of the licence was fully known. The quantities allotted to various shippers were often uneconomical and some of the foreign buyers were not interested in smaller lots. They pointed out that having regard to the policy of increasing exports of the country, the administrative arrangements for implementing such policy should be such as not to cause any avoidable feeling of dissatisfaction of the foreign buyers. They suggested, therefore, that the allocations should be announced sufficiently in advance and Government's decision regarding the quota sanctioned should be communicated forthwith and licences should be given without any insistence on the prior production of letters of credit, providing, however, that within a prescribed period after the grant of licence, if the necessary credit was not produced, the licence would be liable to be cancelled.

Export Licences for Oilseeds

In a letter dated 3rd October addressed to the Government of India, the Committee referred to the existing regulations regarding licences for export of oilseeds under which licences were issued on the basis of confirmed sales supported by letters of credit or other arrangements about payments. They pointed out a practical difficulty experienced in view of the above regulations. There had been considerable delay in the formalities connected with the disposal of applications for licences. It had been represented to them that in some cases before the licences were actually received the credit had expired; it was difficult to force the foreign buyers to adhere to the commitments. Under such circumstances, quotaholder was obliged to sell and ship his goods to other parties. The Committee suggested that in specific cases of the above character, after fully going into the facts of the

case, Government might give special permission for the quota being shipped to new buyers.

Export Quota for Newcomers

In a letter dated 23rd July 1947, addressed to the Chief Controller of Exports, the Committee referred to the action taken by Government in imposing a fee of Rs. 50 for each application in respect of application for export licences from the reserved quota of 25% for newcomers. They observed that while they realised that Government had intended the fees to be in the nature of a check on applications from parties who had no serious interest in the trade, it was their opinion that the fees levied should not amount to something in the nature of a tax imposing a burden on the Trade. The sum of Rs. 50 as fees, not refundable to unsuccessful applicants was rather heavy, and they, therefore, suggested that Government should only impose a nominal fee.

The Chief Controller of Exports in his reply dated 14th November 1947 informed the Committee that they were unable to accept the suggestion of nominal fees.

Trade with Siam

In a letter dated 11th September, addressed to the Government of India, the Committee represented the difficulties of the exporting interests in regard to the resuming of export trade with Siam. They pointed out that although after the end of the war exchange of goods between India and Siam was taking place, the normal channels were not permitted to enter the trade. They enquired if the above position was the result of the fact that exchange of goods was taking place on Government to Government basis as part of the arrangements under which the Government of India got supplies of foodgrains from Siam and added that even if this was so, the actual handling of the export of goods in question should be arranged through the traditional trade channels. They urged Government to give their immediate attention to this matter and bring about conditions which would enable private trading interests to resume trade relations with Siam.

Export of Manufactured Articles of Iron and Steel—Export Trade Control

In their communication dated 19th March 1947 addressed to the Government of India, the Committee drew attention to the Export Control Notification bringing under its purview the exports of iron and steel in the form of manufactured goods, While the Committee welcomed the control

exercised on such fabricated articles, they pointed out the difficulties arising from the fact that some manufacturers might have received orders from their overseas constituents for the supply of such manufactured goods before the issue of above notification, which, if not allowed to export, would be found unsaleable in the Indian market. They referred to the case of Messrs. Shaparia Dock & Steel Co. Ltd., who had received orders from overseas, but were unable to execute their orders owing to the above restriction. It was emphasised that the Company would be put to loss for no fault of theirs if they were not allowed, under the above restriction, to export manufactured goods for which they had received an order before the above notification was issued. The Committee requested that Government should make an exception in cases of the above nature and allow exports of articles for which orders might have been received before the restriction came into force.

Government in their reply dated 28th May regretted that in view of the scarcity of such articles in the country it would not be possible to allow more than token exports of articles of iron and steel. It was added that the Directorate-General, Industries and Supplies, would permit exports of such articles on being satisfied that commitments in respect of them had taken place before the restrictions became operative.

Issue of Licences for Export of Manufactured Articles of Iron and Steel

It was represented to the Committee that while licences for export of manufactured articles of iron and steel were being given to exporting agents, the manufacturing interests were not given the benefit of such export licences. The Committee addressed the Government of India on 2nd May 1947 drawing their attention to the above discrimination in issuing such export licences and stated that while they were aware of the shortage of iron and steel supplies in the country itself, the above manufacturing interests should be accommodated on the lines of certain other manufacturing interests who were allowed to export their manufactures upto a certain percentage of their production. This the Committee suggested with a view to enable the manufacturers to maintain hold on the export markets for their products.

Export of Real Silk Fabrics

In a letter dated 8th May 1947 addressed to the Department of Commerce, Government of India, the Committee urged that Government should now consider the question of

liberalising the policy governing the existing restriction on export of silk manufactures. Under the present restrictions in force, the exports of silk fabrics are allowed subject to licences being granted by the Department. The Committee impressed upon Government the fact that the production of real silk yarn had increased to a great extent during the last few years. Besides, the production of Charkha silk had also increased. As against this increase in the production of silks, they pointed out the demand for the same in the country had considerably easened due to large imports of silk fabrics from foreign sources. There was also the question of affording silk manufacturing industry facilities for creating and maintaining a hold over foreign markets. For this purpose, they felt that it was necessary at this stage to relax the restrictions on the export of silk fabrics. They, therefore, urged that in view of the improved supply position as also with a view to help the industry to stabilise its export markets, the entire policy in regard to the export of Indian silk fabrics should be reviewed and the existing control should be liberalised.

The Government of India in their reply dated 11th June 1947 informed the Committee that the export of silk fabrics other than Benares and Surat Silk Sarees was now permitted within certain quota allocations and interested parties were requested to contact the Export Trade Controller at the Port concerned.

Export of Old Newspapers to Kathiawar

At the instance of a member-firm of the Chamber, the Committee addressed a communication to the Export Trade Controller, Bombay, on 18th April 1947 drawing his attention to the difficulty experienced in regard to securing export licences for export of old newspapers to centres in Kathiawar. As there was not enough demand for such old newspapers and as there was found to be a surplus stock of such papers, it was requested that Government should issue such export licences. It was added that on account of restrictions on booking by the railways, the interests concerned were placed in a difficult position. The Committee, therefore, urged that exports by sea of old newspapers should be allowed free without any restrictions. The Export Trade Controller in his reply informed the Committee that there was no restriction on such exports of goods which were of indigenous make. Restrictions, however, existed in regard to those of foreign manufacture. Assurance was, however, given that individual cases would be considered on their merits.

Export of Raw Wool

The Committee, in their communication dated 4th March 1947, addressed to the Chief Controller of Exports, drew attention to the various Government notifications issued in connection with exports of raw wool, as a result of which there was considerable delay in issuing licences for such exports. They further pointed out that the Government's latest notification dated 14th January 1947 requiring further conditions to be conformed to by the shippers, was responsible for further delays in the disposal of the wool stocks in the country. Government having fixed a quota of 30,000 bales of wool on the basis of which export licences would be issued, there was no justification in delaying the issue of licences on that basis. The Committee invited attention of Government to the increasing stocks of wool in the country with no great demand in the country and stated that it would be upto Government to see that the accumulated stocks were expeditiously disposed of. Government, in their reply dated 19th March 1947 informed the Committee that the export of raw wool had been decontrolled and that no licences were required for such exports.

Extension of the Licence Period to Export Cotton Waste Blankets

As recorded in the Summary Report of the Chamber for the year 1946 the Committee had requested the Chief Controller of Exports to extend the licence period for export of cotton waste blankets in connection with the licence issued to Messrs. Bajaj Brothers. Government in their reply dated 14th March informed the Committee that instructions had been issued to the Export Trade Controllers to extend the period of validity of licences issued for cotton waste blankets during the period 20th April to 19th July 1947 in those cases where exporters had acquired the goods before the expiry of the original licences.

Export of Furniture and Cabinetware

It will be recalled that the Committee had addressed the Government of India suggesting relaxation in the restrictions on export of furniture and cabinetware as published in the Summary Report of the Chamber for the year 1946. Government in their reply dated 17th February informed the Committee that it had been decided to allow export of furniture and cabinetware on quota basis.

Since then the attention of the Committee was drawn to a notification dated 8th March issued by the Office of the

Export Trade Controller, Bombay, under which applicants were required to submit their application together with evidence of firm orders before the 15th April. The Committee therefore addressed a letter dated 7th May 1947, to the Export Trade Controller pointing out that in view of the control that was in force it would be impossible for the exporters to be ready within the stipulated time with their applications supported by firm orders from their consignees. They also referred to the condition to the effect that out of the total quota an exporter would be allowed to export only 5 per cent of furniture made of teakwood and observed that if this condition was strictly insisted on, there would be practically no exports. They therefore urged that the condition governing export should be liberalised by fixing merely the total quantity which would be allowed to be exported within a particular year and then granting licences within that quota limit without any further qualifying conditions.

Government in their reply dated 5th July 1947 stated that the time allowed to the shippers for applying for the quotas was considered to be quite sufficient; in case a shipper had been unable to apply within time, he should apply for allotment from the next half-year quota. In regard to the restriction placed on the teakwood furniture allowed to be exported, it was stated that the same was due to the difficult position of teakwood in India. It was further added that besides teakwood, there were many other varieties of wood suitable for manufacture of furniture and cabinetware. Moreover restrictions placed on the export of furniture were on the lines prescribed for the export of other commodities allowed to be exported on a quota basis and, therefore, it was not possible to further liberalise the conditions.

Export of Printing Types

As published in the Summary Report of the Chamber for 1946, the Committee had represented to the Government of India the difficulties of the manufacturers of printing types in regard to permission for export to overseas countries. Government in their reply dated the 18th January observed that the metal position in the country had not shown any appreciable improvement and that, therefore, it was found necessary to continue a strict control over the export of printing types. Government were not, therefore, prepared to fix any particular quota for export of such types. They, however, assured the Committee that an application for the export of type metal would continue to be considered on its merits.

Control on the Export of Drugs and Medicines

As published in the Summary Report of the Chamber for the year 1946, the Committee had represented to the Government of India the need for allowing, to an increasing extent, the exports of drugs and medicines from the country. Government in their reply dated the 8th February observed that the export of drugs and medicines of indigenous manufacture, not containing any substances mentioned under item 8 (i), (ii) and (iii) of Part A and item 24 (iii) of Part D of the Export Trade Control Notification, were allowed freely to all permissible destinations without any quantitative restrictions. It was regretted that it was not possible to agree to any further relaxation in the export of drugs and medicines.

Export of Indian Toilet Requisites to Egypt

In a letter dated the 6th February addressed to the Government of India, the Committee pointed out the difficulties experienced by the Tata Oil Mill Co. Ltd., Bombay, in exporting their toilet products to Egypt. It was pointed out by them that though the Company had secured an export permit for soaps as early as May 1945, their distributors in Egypt failed to secure an import permit at the other end, and, therefore, no shipments of soaps had been effected so far. On the other hand the entire import quota for soaps had been given over to what appeared to be an associate concern of Messrs. Lever Brothers. They observed that the above facts went to show that in order to conserve the whole market for the products of the British soap industry, Indian imports were being virtually excluded from Egypt by administrative regulations. They urged Government to take up the matter with the Indian Trade Commissioner in Alexandria with a request that suitable representations should be made so as to prevent Indian goods being shut out from the Egyptian market.

Export of Old Jute Rags and Jute Cut Thread Waste

In a letter dated 11th September, addressed to the Export Trade Controller, Bombay, the Committee referred to the question of export of Jute rags. The existing procedure for the export of these goods confined such exports to the Port of Calcutta, which procedure was found to be inconvenient to exporters from other centres. The Committee also referred to the representations received regarding export of Jute cut thread waste. Exporters in Bombay were not being allowed to ship Jute cut thread waste from the Port of Bombay and instead were being required to send the waste by rail first to Calcutta for subsequent shipment from there. The

Committee pointed out that the above restrictions which came into force in the emergency of war required to be reviewed and that exports of these goods should be allowed to be shipped from all the ports where goods were offered for export subject to the existing Export Trade Control regulation.

The Export Trade Controller in his reply dated 27th October 1947, informed the Committee that export of old Jute Rags for paper making was freely permissible, excepting in the case of Jute thread waste. It was, however, added that in respect of export of jute products from Bombay, it had been decided that such exports as a general rule could not be allowed through any other port other than Calcutta. Cases, however, deserving special consideration would be decided on merits.

Difficulties in connection with the Export of Jute

In a letter dated 29th November 1947, addressed to the Dy. Export Trade Controller (Jute), Calcutta, the Committee referred to the difficulties experienced by Messrs. S. Mohanlal & Co., as a result of the unsatisfactory working of the existing administrative arrangements in connection with the grant of Export Quotas. They were informed on 31st October that they were allotted an export quota of 68 tons of Jute to Egypt. The central point of the complaint was that the information about the formalities to be completed by them reached them much later than the prescribed date with the result that they could not avail themselves of the quota and ultimately the quota had to be cancelled. The Committee requested that arrangements should be made which would make it possible for the relevant communications being sent to parties concerned sufficiently in advance to enable them to complete all the formalities which they might be required to undergo before their quotas could be utilised.

Export Duty on Raw Jute

The Committee, in a telegram addressed to the Ministry of Commerce, Government of India, referred to a decision of the Pakistan Government to levy export duty on raw jute transported across the land frontiers of Pakistan and characterised the action as a violation of the provisions of the Standstill Agreement. They requested that the matter should be pursued vigorously with a view to secure withdrawal of the levy of the duty. They further requested for information regarding steps already taken or proposed to be taken by Government in the matter.

Checking of Invoices by the Price Control Department in the Office of the Export Trade Controller

In a letter dated 7th May addressed to the Export Trade Controller, Bombay, the Committee referred to the Complaints received by them to the effect that as a result of some recent change in the practice regarding checking of invoices, exporters received back their invoices much later after they were checked by the Office Appraiser and passed on for the signature of the officer concerned. They requested him to look into the matter and take such steps as might obviate unnecessary delay in the exporters getting back their invoices duly checked. The Controller in his reply dated 15th May assured the Committee that the complaint was receiving his attention. It was, however, added that at times of rush it was inevitable that a little longer time should be taken in the disposal of the invoices.

Packing of Cargo Shipped from Bombay

The Bombay Underwriters' Association by their letter dated 15th February 1947 desired the opinion of the Committee as to whether it was desirable that a warranty in all policies issued by the Association covering export cargo should be inserted to the effect " warranted packed in double gunnies or properly secured packing cases ". The Committee in their reply dated 20th March stated that while they agreed that packing of export cargo from India to African ports should not give rise to any occasion for complaint, the proposal to include the above warranty as suggested was neither fair nor feasible. It was neither necessary nor required that all export cargoes should be packed in double gunny. The use of double gunny normally depended on special stipulations in the contracts between the two parties. Certain types of consignments might not require double gunny at all. It was felt that the warranty as above suggested in Insurance policies issued by the Association was not necessary.

The Association in their communication dated the 15th April drew the attention of the Committee that the proposed warranty would apply only to piecegoods. The Committee replied that they had no objection to the same.

V. GENERAL

Questionnaire issued by the Administrative Enquiry Committee

The Administrative Enquiry Committee had sent to the Chamber a copy of the general questionnaire issued by them and had desired the views thereon. The Committee in a letter dated 21st May sent a detailed communication giving their views on certain aspects concerning the main purpose of the enquiry and in particular on some of the specific questions in the questionnaire. The Administrative Enquiry Committee according to their terms of reference were expected to recommend the means of providing an economical administrative machinery and with that object to examine the growth of expenditure on administration since 1938-39, to enquire into the working of the existing machinery to consider methods of curtailment of expenditure, etc. The Committee in their reply suggested that as recommended by the Pay Commission, the scales of salaries offered by Government should, as far as possible, maintain a fair relativity between the rates of pay of civil servants and comparable outside rates and that in fixation of salaries of subordinate services, principles based on both economic and moral consideration should be given due weight. They emphasised the need for checking the growth of administrative expenditure in the inter-war period and for this purpose suggested that Government should reduce to a minimum the trading activities of the Government Departments administering the various controls and that even in respect of controlled articles the trading functions should be restored to normal channels, so as to enable Government to curtail its expenditure connected with such activities. In regard to the requirements of the Government, the Committee suggested that a Stores Purchase Agency for making purchases on the basis of Open Tenders should be established and that construction and maintenance work should as far as possible be done by contract system. Lastly it was suggested that with a view to increase efficiency in the Secretariat, a Public Relations section should be instituted.

Questionnaire issued by the Industrial and Technical Secondary Education Committee, Bombay

The Industrial and Technical Secondary Education Committee was appointed by Government with a view to explore the possibilities of advancement of technical, industrial and vocational training in the Province below the collegiate stage.

The Questionnaire is presumably issued with a view to revise the existing courses of technical and industrial training in the light of the present and future requirements of the Province. The Committee submitted their views on the above Questionnaire by their communication dated 17th October 1947, a brief summary of which is as under:

The Committee at the outset referred to the existing courses which include technical training in Mechanical Engineering, Electrical Engineering, Textile Engineering, Applied Chemistry in regard to Paints Technology, Leather Manufacturing, Photography, Paper Making, etc. and expressed the view that the present courses should be brought up-to-date to meet the needs of the country. It was pointed out that the Courses would affect the skilled and semi-skilled artisans and operatives as also supervisors, chargemen and foremen and, therefore, they should be adjusted to the needs of the above types of persons. It was particularly emphasised that such courses should be made helpful in preparing skilled and technical personnel for the different types of industries which are at the moment of great importance to the country. Such courses should naturally be brought into line with those prescribed in other industrially and technically advanced countries. The Committee was of the opinion that the education should be both pre-employment and post-employment, whereby those starting on a technical career would be afforded opportunities for fitting themselves for positions of greater responsibility. Suggestion was made that a measure of co-ordination should be effected amongst the various institutions controlling education, which were principally the University of Bombay, the Director of Public Instruction, The Board of Technical and Industrial Training and the Board of Management of the V.J.T. Institute. The Committee agreed with the suggestion of having a Technical Education Council in the Province which should include representatives of all interests concerned in the sphere of education. It should also include representatives of organisations of trade and industries as also workers. They were in favour of a system of organised vocational and technical education on a selective basis taking into consideration the natural aptitudes and inclinations of the students. It was necessary that in the first instance the needs of main industries located in centres like Bombay and Ahmedabad should be first attended to. They recommended part-time vocational education for workers already in employment. Some facilities for general observation with a view to gathering the general idea of the working of the factories and industrial undertakings should be afforded to students engaged in such training. A provision of economic assistance to persons of merit attending

courses of training would be ultimately advantageous to the country. They were of opinion that there should be no separate curricula of training for managerial staff of the industries, the reason being that such positions were achieved by a developmental process which generally fitted such executives for high position. It was necessary that educational establishments should be as near as possible to the industrial establishment so as to be readily accessible to workers in employment. It was essential that certificates issued after examination should be co-ordinated and recognised on a national basis. They approved of the suggestion for the establishment between administrative departments, vocational and technical institutions and organisations of employers and workers.

Representation for Commerce and Industry in the future Legislatures

In a telegram dated 30th July 1947 addressed to Dr. Rajendra Prasad, President of the Constituent Assembly, the Committee expressed their concern over the reported decision to discontinue special representation for Commerce and Industry in the future Legislatures, both Provincial and Central. They pointed out that the system of special representation was found to be very useful in the past and was recognised by commissions and committees appointed from time to time to review the constitutional reforms in the country. They referred to the fact that questions of an economic character would loom large in the legislative activities of the new Dominion and felt that it was very desirable that duly elected representatives of Commerce and Industry should be present to give their contribution to the important discussions on the economic and industrial affairs.

Proposals regarding Provision of Free Legal Aid to Private Persons of Moderate Means in Civil and Criminal Cases

The Government of Bombay forwarded to the Committee the proposal of the Government of India regarding feasibility of provision for free legal aid to private persons of moderate means in civil suits and criminal cases and invited their views thereon. The central feature of the proposal was that persons of limited means within prescribed income should have subsidised legal aid, such aid upto a certain limit of income being free and in other cases the relief being partial. The Committee in a communication addressed to the Government of Bombay expressed themselves in principle to be in favour of free

legal aid. They suggested that there should be statutory provision for legal aid to persons of limited means and for the purpose it was urged that all persons with income below Rs. 2,500 per annum should receive such aid both in respect of Court costs and costs for legal advice and representation, free of any charge. They further suggested that the cost of the scheme should be borne by the Provincial Governments who should be charged with the responsibility of administering the scheme. When legal action resulted in success to the party receiving aid, the relief obtained should be paid back. With regard to the actual administration of such a scheme, the Committee were of the opinion that the scheme should be administered through the agency of Law Society or such similar organisations.

Naturalisation of Foreigners in the Country

As recorded in the Summary Report of the Chamber for the year 1946, the Committee had addressed the Government of India in the above matter and had urged that a definite policy should be formulated for granting naturalisation rights to foreigners. Government in their reply dated the 21st January forwarded a copy of a Press Note dated the 23rd July 1946 indicating the policy which Government had formulated in the matter. The governing principle of the policy, it was stated, was not the completion of the minimum period of residence prescribed under the Statute but the establishment of the fact that the applicant was worthy of British citizenship. It was further observed that before granting a final certificate of naturalisation, careful enquiries were made regarding the *bona fides* of the applicant concerned. It was added that it was the policy of Government not to encourage the naturalisation of unsuitable or undesirable aliens to settle in this country.

Steps for Preserving and Maintaining Internal Security

The Committee in a letter dated 22nd November 1947, addressed to the Government of Bombay, Home Department, referred to the question of desirability of an organized attempt to enlist and secure co-operation and services of civil population in assisting authorities during times of emergency in the maintenance and preservation of Law and Order in this City. In this connection, they forwarded to the Government a copy of the scheme prepared by Mr. B. K. Shah, one of the members of the Committee, aiming at the creation of a body of trained personnel drawn from employees working in commercial organizations, public and quasi-public offices and establishments. Under that scheme, all organizations

employing 100 or more employees would be expected to institute a scheme of compulsory training for their employees and every trained member would be under an obligation to serve the State when called upon during an emergency. The Committee added that the scheme envisaged an element of compulsion but that in the larger interests of the country they had no hesitation in saying that such compulsion was unavoidable. They, therefore, requested Government to examine the proposal and take early steps to bring into being an organization of such a cadre of services available for use in times of emergency.

Complaints about Assaults on the Technical Staff of the Textile Mills

The Committee in a letter dated 3rd July 1947 addressed to the Government of Bombay referred to the recent occurrences in the textile mills in connection with assaults on technical employees of mills by mill operatives and observed that in the absence of due efforts by Government to check the growth of such practices, serious consequences were likely to result. The officers in the mills were working under conditions of great insecurity as a result of such occurrences and the mill authorities had their own limitations in the matter of affording adequate protection to their officers. They, therefore, suggested that Government should take strong action and provide for deterrent punishment for such wanton acts with a view to check this rising evil. They further suggested that machinery should be set up to bring to book the culprits by summary trials and that the judicial authorities should be persuaded to inflict heavy punishments in such instances.

The Government in their reply dated 28th August observed that the police were already taking necessary measures to check the assaults of the above nature. It was, however, not practicable for the police to provide guards for the staff of mills, but it was added that the situation would be watched and *Ad Hoc* arrangements made by them as and when necessary.

Property and Trade Goods lying in Pakistan Area

In a letter dated 16th October 1947 addressed to the Ministry for Relief & Rehabilitation, Government of India, the Committee referred to the position of moveable properties and trade goods left behind in Pakistan by refugees migrating from that country into India. They pointed out that such goods were at the moment in a state of being frozen under orders from Pakistan authorities. They requested

Government that they should take up this matter with the Government of Pakistan with a view to ensure that all moveable and trade goods lying in Pakistan were allowed to be moved to such places and centres as the owners of such goods might choose. They further suggested that in case the Pakistan authorities found it necessary to retain trade goods lying in Pakistan area for sustaining the internal economy of Pakistan, the authorities there should definitely provide to arrange for the immediate payment of the full value of the goods and properties detained under official orders. In this connection, they referred to the fact that goods meant for distribution all over the Indian Union were from time to time imported at Karachi, and therefore, it should be ensured that in any case all goods surplus to the immediate requirement of the Pakistan should be allowed to be moved to India. They referred to the question of other kinds of property left behind by those who came out of Pakistan area, and requested Government to furnish them information in regard to the arrangements made for the registration and preservation of such properties.

The Committee in a further communication dated 20th December 1947 addressed to the Government of India gave specific instances of complaints in regard to difficulties experienced by the merchants in the Indian Dominion in regard to goods which had been sent to Pakistan territory but which were not claimed by the parties to whom they were sent and which remained in the possession of the Pakistan Authorities. They referred to the recent agreement arrived at between the two Dominions in regard to partition matters and expressed the hope that the trade difficulties of the above nature would also be similarly solved.

Immigration Restriction Bills in East African Territories

As published in the Summary Report of the Committee (1946), the Committee had submitted a detailed representation to the Government of India drawing their attention to the objectionable features of the proposal to restrict immigration into the four territories—Tanganyika, Uganda, Kenya and Zanzibar. The Government of India had sent a delegation to East Africa in 1946, to examine in consultation with the public interest there, whether there was any justification for legislation on the lines contemplated in the bills. The delegation after ascertaining the opinion of the various communities in those territories, opined that there was neither the need nor any justification for the restrictions. The East African authorities subsequently published an amended bill incorporating certain modifications in the original bill. These

modifications were in matters of detail and of a minor character. The central features of the legislation aiming to restrict immigration into the country continue to be retained. The Committee on 22nd August sent a detailed representation to the Government of India reiterating their earlier views that the restrictions in question were uncalled for and urging strong action for preventing the proposals being given effect to and put on the Statute Book.

Indo-Burma Treaty

The Committee in their telegram dated 22nd December 1947 addressed to the Hon'ble Pandit Jawaharlal Nehru referred to the negotiations now taking place for concluding a treaty between India and Burma regulating relations between the two countries particularly in the spheres of trade, immigration, franchise, property rights, etc. and expressed the hope that as a result of the conclusion of the treaty, the two countries would come nearer together in a bond of mutual friendship. The Committee urged that the proposed treaty should accord rights and safeguards to Indian interests in the same manner as provided in the Treaty between the U.K. and Burma in regard to domicile, franchise, trading and property rights. It was emphasised that the rights accorded to the nationals of the U.K. should also be provided in the treaty between India and Burma to the nationals of the Indian Dominion. The Committee urged that the following points be taken into consideration: All Indians who were in Burma before December 1941 should be allowed unrestricted right of entry and re-entry; right of merchants and business undertakings to re-place, re-inforce and augment their personnel should be recognized; claims of Indian nationals in respect of war damage should receive the same treatment as claims of Burmese nationals or of those of the nationals of the U.K. They referred to the difficulties arising out of the recent foreign exchange regulations imposed by the Government of Burma and stressed that remittances of capital nature between India and Burma should be allowed free of control; remittances by Indian owners of property and assets in Burma who may have disposed of such property should be free of any restriction; there should be no restriction on remittances to this country of profits earned by Indian businessmen in the normal course of their business. There should be no restriction by way of financing of seasonal capital required for purchasing operations of paddy and rice in Burma; restrictions should also not apply to remittances of surplus funds by Indian insurance companies doing business in Burma.

The Burma Immigration (Emergency Provisions) Act

The Government of Burma promulgated an Emergency Immigration Act under which no person would be allowed to enter into Burma without either a passport fully visaed by or on behalf of the Government of Burma or an immigration permit issued by the Controller of Immigration. British subjects domiciled in the U.K. were exempted from these requirements. In a telegram dated 14th August 1947 addressed to the Government of India, the Committee recalled past assurances in this regard, and observed that the recent action of the Burma Government was not in keeping with the earlier assurances. They urged Government to take vigorous action to secure the withdrawal of the restrictions in question and requested to bring about an agreement between the two Governments governing the rights and obligations of the people of one country in the other.

Importation of Tractors

Government had often mentioned the difficulty experienced in getting tractors for assisting improved methods of cultivation. In this connection, the Committee had received reports that petrol-driven tractors were available in the U.S.A. and that if efforts were made, Government would be able to arrange for the import of such tractors. They, therefore, in a letter dated 19th September addressed to the Government of India referred to the above reports, and observed that before suggesting or recommending a step in that direction, they would enquire of Government if any experiment regarding the utility and serviceability of petrol-driven tractors had been made, and, if so, what were the results of such experiments. They requested Government to furnish them with full details of experiments regarding the working of petrol-driven tractors with a view to enable them to further consider the matter.

Government of Bombay in their reply dated 31st October 1947 stated that no specific information was available. It was believed that petrol-driven tractors would be more expensive in operation than those driven on Diesel-oil. Government of India, in their reply dated 19th November 1947, stated that the Ministry had recently carried on experiments on the working of a 6-H.P. petrol-driven tractor, and that from the investigations it was found that the petrol-driven tractor would not be suitable in India for field cultivation, as its cost of operation would be high and its life short.

Allotment of Procurement of Rice from Burma

In a telegram dated 15th October addressed to the Ministry of Commerce, Government of India, the Committee invited their attention to the question of procurement of rice from Burma. The Agricultural Projects Board of Burma had invited the Indian rice trade to help in reviving rice trade between India and Burma and accordingly the Indian rice merchants under the auspices of the Rice Conference of India, Burma and Ceylon formed a corporation known as Burma-Indo-Ceylon Rice Corporation which corporation was allotted by the Government of Burma, a small quota for purchase of rice equal to 30% of the total crop for the year 1946. The Indian rice trade had represented to Government that British interests were allotted favourable districts for such procurement as a result of which the Indian interests had to operate in districts which could not yield the expected quantities. The Committee, therefore, urged that the representative of the Government of India in Burma should endeavour to secure for the Rice Corporation equitable treatment in the matter of allocation of districts for procurement of rice for the year 1947-48.

Foodgrains Policy Committee

The Government of India by their letter dated the 25th September 1947 forwarded to the Committee a copy of the Note issued regarding the appointment of the above Committee and its terms of reference and invited them to submit their views and suggestions thereon. The Committee in a communication dated 15th October sent detailed memorandum covering their suggestions and proposals on certain aspects of the food problem at present confronting the country. They reviewed the position of food production in the country since the publication of the report of the Foodgrains Policy Committee in 1943 and pointed out that the position in respect of food production, procurement and supplies continued to be very unsatisfactory. They, therefore, urged that the main task of the Committee should be to examine and study more closely the inherent drawbacks in the present system of food production, procurement, supplies and distribution. In this connection, they also invited the attention of the Committee to the unsatisfactory position concerning agricultural statistics and pointed out that unless the necessary machinery for more accurate determination of the statistical facts was evolved, the task of formulating a successful food policy and implementing the same would continue to be difficult. A reference was made to the division of the country and the consequences that were likely to follow

as a result thereof in the sphere of food supply and urged that in view of the changed position it was necessary to review the supply and statistical position so that resources and needs of the Indian Union could be separately estimated and the targets for the future settled on the basis of the changed position. In respect of food imports, the Committee were of the opinion that the country should depend on import assistance to the minimum extent possible, and that the same should be secured from countries nearer to us. It was, however, added that in so far as it was necessary to import foodgrains from abroad, it should be the policy of Government to conclude reciprocal arrangements with countries having surplus of food production on terms and conditions which were fair to both the parties. The Committee also made detailed observations in regard to the need for evolving more practical procurement policy, the need for enlisting public co-operation in that regard and the feasibility of introducing a policy of subsidising internal production with a view to make the same more effective. Lastly, they urged the Committee to examine the position in regard to the various controls governing handling and distribution of foodgrains and suggested that it was now time that the whole subject was re-examined with a view to enquire if the time had not arrived for removing the controls on prices, movement, distribution, etc. on all articles of foodstuffs excepting basic cereals.

Food Situation in the Bombay Province

The Committee in their communication dated 2nd April 1947 addressed to the Government of Bombay reviewed the Five-Year Plan for the expansion of agricultural production in the country sponsored by the Government of India as also the plan of the Government of Bombay to be executed through the Provincial Rural Development Board and welcomed these efforts for improving acute shortages in the supply position of food. They, at the same time, drew attention to the disquieting situation existing in the Bombay Province with regard to the present stocks of foodgrains. They felt that under the circumstances it was the duty of Government to review the present controls affecting the supply and distribution of foodgrains in the province and revise them to meet the special requirements of the emergency. They felt that under the present position it would be inadvisable to remove controls on basic cereals, viz.: rice, wheat, bajri and jowar. They were, however, of the opinion that there was no justification now for controlling the movement and distribution of all other food articles particularly pulses, chola, peas, etc. They, therefore, requested

the Provincial Government to impress upon the Government of India the necessity of removing such controls, excepting on basic cereals. They drew attention to the desirability of removing controls and restrictions on the inter-provincial-state movements of food articles other than cereals, as such restrictions were found to hamper movements of foodstuffs between provinces and provinces and aggravated the situation. They further made the following suggestions for the improvement of the present position.

1. Offers for supply of foodstuffs other than cereals received by various private parties in the province from foreign countries should be favourably considered and the importers should be allowed to get such food articles for use in the country.

2. While they welcomed the appointment of a Provincial Food and Commodity Advisory Board, they, at the same time, pressed for closer collaboration of the particular trade interests concerned which would have a favourable effect in adjusting the Government policy in regard to supply, procurement and distribution of foodgrains. They also urged the advisability of taking into confidence the normal trade channels for handling and distribution of items which were subject to control.

Setting up of a Rice Board at Delhi

As published in the Summary report of the Chamber for 1946, the Committee had addressed the Government of India regarding the proposal to set up a Rice Food Board at Delhi. The Government of India in their reply dated the 6th January informed the Committee that the proposals of the Food and Agricultural Organisation Preparatory Commission on the functions of the proposed World Food Board were not yet finalised, but that the following two were among the various suggestions:

(i) a separate Rice Committee of the World Food Board to be located in India; and

(ii) enforcement of regional prices and commodity agreements would require that exports and imports should be on a Government to Government basis.

The Committee in a further communication dated the 16th January urged that at the time of ratifying the proposals and decisions of the Food and Agriculture Organisation Preparatory Commission regarding the World Food Board, the Government of India should insist on the principle of utilising the normal channels of trade in all stages of the work connected with the administration of the scheme. Even if it was

decided to work the scheme on a Government to Government basis there could be no objection to Government utilising the services of the trade channels in the actual work of procuring and handling of supplies.

Interview with Mr. M. P. Patil, Minister for Forests and Agriculture, Government of Bombay

The Committee had an interview with Mr. M. P. Patil, Minister for Forests and Agriculture, Government of Bombay, on 29th July 1947 when discussion took place on the following subjects:

Food situation in the Province;
Grow More Food Campaign; and
Forestry, etc.

Increasing Fodder Cultivation

The Committee had drawn the attention of the Government of India in regard to the compulsory cultivation of fodder crops in India as recorded in the Summary Report of the Committee for the year 1946. The Government in their reply dated 8th April 1947 informed the Committee that the question of increasing fodder cultivation concerned the Provincial Governments. They, therefore, felt that it was not practicable for the Central Government to undertake any legislation to provide for compulsory cultivation of fodder crops.

Growing of Fodder Crops

In their communication dated 7th April 1947 addressed to the Government of Bombay, the Committee drew attention to their views expressed on the Bombay Growth of Food Crops Bill in the year 1944 when they had emphasised that Provincial Government should also concentrate on attempts to increase supplies of fodder in the Presidency. Agricultural operations depended mainly for their success on the availability of cattle in required numbers and of sufficiently good breed and strength. It was, therefore, obvious that the question of increasing the growth of cattle food was linked with the problem of increasing the growth of food crops. It was pointed out that in spite of the Bombay Growth of Food Crops Act in force for the last three years, the Committee were advised that no appreciable increase in the cultivation of fodder crops had taken place. It was felt that the need for growing adequate growth of fodder had been sadly neglected. The Committee felt that it was upto Government to introduce in their agricultural programme an obligation on

the cultivators to reserve a certain proportion of their lands for cultivation of green fodder and introduce legislation for the purpose.

Government in their reply dated 23rd April observed that in the existing circumstances, they felt that compulsory growing of fodder crops by legislation would not produce better results and that, therefore, they could not accept the suggestion of the Committee.

Supply of Seeds to Agriculturists

In a letter dated the 30th June addressed to the Government of India, the Committee drew their attention to the prevailing scarcity of seeds of good quality in sufficient quantities due to which certain areas in the country were likely to face famine conditions. Emphasising the importance of distributing sufficient quantities of good quality seeds in the monsoon for purposes of obtaining good quality crops, they urged that Government should take immediate steps in this direction.

The Director of Agriculture, Bombay Province, in a reply dated 4th July observed that seven schemes for the multiplication and distribution of pure and improved seeds were already in operation in the Province, and that possibilities of multiplying and distributing pure seed in the remaining areas were under investigation.

Government in a letter dated 5th August informed the Committee that Government had taken necessary steps for supplying to the agriculturists sufficient quantities of seed-wheat to all areas and that wheat to the extent of over a lakh tons had been distributed for the said purpose.

Bombay Gur Control Order, 1946

The Committee in a letter dated the 27th January addressed to the Director of Civil Supplies drew his attention to certain practical difficulties which had been brought to their notice as a result of the decision of Government to control the prices of Gur. They observed that they appreciated the object with which the control on the prices of Gur was instituted and that their object in addressing the Government was to urge on them to see that the control should not cause any avoidable hardship to the merchants dealing in Gur. The trade interests from Gujerat had represented that they had large stocks of Gur imported from the South at rates very much higher than those fixed under the control and that they should have been given an opportunity to dispose of the stocks already acquired before the

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control on price came to be enforced. They requested the Government to examine this aspect of the matter and find out some way by which the merchants could dispose of their stocks at prices which would be reasonably in line with the cost incurred in acquiring the same.

Retail Sale of Gur in Ahmedabad

The Committee in their communication dated the 7th May addressed to the Director of Civil Supplies, Government of Bombay, referred to the intention of Government to effect retail sale of Gur in Ahmedabad through the agency of Government ration shops only. Committtee felt that if the proposal was implemented, the members of the Ahmedabad Retail Jaggery Merchants' Association, who had already been licensed to sell Gur in retail there, would be deprived of their trade. It was suggested that the case of the retail Gur dealers should be treated on a par with those entrusted with the distribution of kerosene, matches, certain varieties of pulses, etc. who were allowed to continue to deal in such articles. While not objecting to the sale of Gur through ration shops, Committee urged that the retail sale of the commodity should also be carried on through normal trade channels.

The Government in their reply dated 26th May observed that in Ahmedabad, Gur was now being issued under quasi-rationing basis against ration cards and permits and, therefore, the supply had to be obtained from the rationing shop or rural distribution centre. It was, therefore, not possible to allow the distribution of Gur through retailers who were not authorised distributors.

Restriction on Exports of Cummin Seeds

In their communication dated the 28th April addressed to the Director of Civil Supplies, Government of Bombay, the Committee referred to the difficulty experienced by merchants in obtaining railway booking for the transport of cummin seeds to upcountry and stated that as an alternative to railway booking the restrictions on the exports of the commodity from Bombay to other Indian coastal ports by sea should be removed.

Government in their reply dated 20th May 1947 informed the Committee that the said restrictions were removed from 19th May.

Restriction on the Movement of Fennel Seeds

The Committee in their communication dated the 26th April addressed to the Director of Civil Supplies, Government of Bombay, referred to the above restriction and urged that the same should be lifted with a view to make the movement of the seeds from Bombay to upcountry consuming centres possible, as the existing stocks of Fennel Seeds in the City were considerably more than what were required for the requirements of the city.

Exports of Sesame Seed outside Bombay Province

As published in the Summary Report of the Chamber, the Committee had addressed the Government of India as also the Government of Bombay urging the need for immediate steps being taken for prohibiting export of sesame seeds from India and particularly from Bombay. The Director of Civil Supplies in his letter dated the 24th December 1946 informed the Committee that the Government of India had decided that except for the very small holdings left out of the last year's crop, no further exports of sesame seeds should be permitted from the Bombay Port.

Supplies of Groundnut Oil

In a telegram dated the 8th February addressed to the Hon'ble the Food Member, Government of India, the Committee drew the attention of Government to the grave position confronting the Bombay city and province, as a result of acute shortage of supplies of groundnut oil, stocks of which were estimated as not being sufficient to meet the requirements of the next few days, and requested that supplies of seeds should be rushed to this province from the surplus sources of Madras and Hyderabad State. In this connection, they drew attention of Government to the fact that other Provincial Governments and States did not strictly adhere to the Central Government's plan for control on prices of seeds and oil and the regulation of distribution of supplies, as a result of which the prices of oil in Bombay came to be controlled while the supply of seeds from outside sources continued to be obtained at uncontrolled rates. As a consequence the price of oil got out of parity with that for seeds, leading to the dislocation in the working of the control scheme. They, therefore, urged that Government should review the whole position and work out a scheme after taking all the relevant factors into consideration and in the meanwhile to arrange for immediate supply of adequate quantity of seeds for the Bombay city and presidency.

Prices of Groundnut Oil and Controlled Prices for Oil-cakes

In their communication dated 7th April 1947 addressed to the Government of Bombay, the Committee drew attention to the disparity in prices of groundnut oil in the Bombay Province and in other provinces. They were given to understand that the prices fixed by Government for oil-cakes were lower compared to the prices prevailing in other provinces. This had resulted in the crushers in this province being obliged to make up the difference between the prices of oil-cakes here and those in other centres by charging a proportionate increase in the prices of oil. The Committee requested that Government should review the position of the prices of oil and oil-cakes and revise the prices on an equitable basis.

Agmark on Tavda Ghee Products in Kathiawar States

The attention of the Committee was drawn to the agmarked ghee sent out from Kathiawar which was found adulterated with Tavda ghee, thus bringing into disrepute the Government system of agmarking quality products. The Committee in their letter dated 14th March 1947 addressed to the Chief Marketing Officer, Government of India, drew serious attention to the above malpractices which would affect the reputation of such products agmarked as pure. The Committee requested Government to look into the matter and remove such malpractices. They also desired to be furnished with the procedure normally adopted in the matter of agmarking particular goods and articles, the test conducted, etc., before agmarking such products.

In a reply dated 22nd April 1947, the Agricultural Marketing Officer informed the Committee that the necessary enquiries were being made in the matter. A copy of the Ghee Grading and Marking Rules, 1938, under which agmark ghee was at present graded, was sent for the information of the Committee. A copy of the special standards laid down for agmarking ghee from certain states in Kathiawar was also forwarded.

The Marketing Officer in a further letter dated 7th November 1947 observed that steps were being taken by the Department to tighten up quality control by organizing a control laboratory at Ahmedabad and that an inspector was being deputed there to check all Agmark Ghee-making Works in Kathiawar.

Supply of Coconut, Copra and Coconut Oil

In a telegram addressed to the Hon'ble the Food Member, Government of India, the Committee referred to the ban imposed by the Government of Madras on the export of coconut, copra and coconut oil outside that Province except under a permit, which ban it was presumed was imposed due to the shortage of coconut oil in the Madras province and also for the purpose of encouraging the local copra milling industry there. The Committee pointed out that before the imposition of the ban, a large portion of the available supplies of coconut, edible copra and milling copra was being usually exported outside Madras Presidency, the same being surplus stock, without in any way affecting the requirements of the Province. They drew attention to the large stocks accumulated at distribution centres and ports and that such stocks were in danger of getting deteriorated unless the ban in question was removed. Moreover, merchants outside the province, who had purchased large stocks of coconuts and edible copra, were being placed in a very difficult position and threatened with heavy financial losses. In view of the scarcity conditions relating to edible copra and coconuts in other provinces, the Committee urged that the Government of India should intercede in the matter and arrange for the free flow of exportable surplus stocks from Madras to other provinces.

Control of Coconut Oil

The Committee in their letter dated 9th July 1947 addressed to the Director of Civil Supplies, Bombay, referred to the removal of the control on the movement of coconut oil by the Government of India as also the price control on the same in Bombay Presidency and pointed out that since the movement and price control over imported supplies had been withdrawn, there was no point in continuing the system of releasing oil crushed in the Presidency only on the basis of release orders. They requested Government to clarify the position and let them know as to when the above restrictions were expected to be removed. The Director of Civil Supplies in his letter dated 15th July 1947 stated that orders modifying the existing orders regarding movement, prices, etc. of coconut oil crushed in the Province would be issued shortly, and that in the meanwhile release orders were being issued freely.

The Committee in a letter dated 12th August addressed to the Director of Civil Supplies, referred to the above assurance and stated that the same would not fully meet the requirements of the existing situation. They stated that the

Government of India were inviting applications for the imports of Kopra from Phillipines; but that the Bombay Millers could not take advantage of the above facility owing to the existing provincial restrictions on movement of oil. They, therefore, urged the Government of Bombay to remove the control on movement of coconut oil.

The Director in his further letter dated 26th August 1947 informed the Committee that Government had cancelled the existing orders in respect of coconut oil whereby coconut oil produced from Kopra either within or outside the Bombay Province was completely free of control. It was, however, added that prices, movement and disposal of coconut oil imported from Ceylon or produced from Kopra imported from Ceylon continued to be controlled as hitherto.

Use of White Oil as Adulterant in Various Edible Oils

The Committee in a letter dated 9th September 1947 addressed to the Government of India, drew their attention to the practice of using White Oil as adulterant in various edible oils and observed that the same was likely to prove detrimental to the public health. In the absence of the availability of pure ghee, the public generally was gradually taking to the use of oils as substitute and if there was a likelihood of these oils also being adulterated by the trades concerned, the public would be placed at a great disadvantage. They, therefore, suggested that white oil should be allowed to be imported for industrial use only and licences for such imports should be restricted to trades which require it for the manufacture of preparations which were not edible. It was added that this method was suggested as it was found that it would be very difficult to detect the presence of white oil in other edible oils. They urged Government to devise ways and means for ensuring that white oil was not made available for the purpose of adulteration with various edible oils.

Import of Oats

In a letter dated the 16th October addressed to the Chief Controller of Imports, the Committee referred to the Government notification allowing commercial imports of certain pulses without licence upto such quantities as might be shipped on or before 15th October 1947, and in that connection pointed out that the import of Oats should also have been included under the above notification. They urged that Oats was an essential food for transport animals and if it was allowed to be imported, the same would help an important item like pulses being saved to some extent for

human consumption. They, therefore, suggested that in case Government extended the period for the free import of pulses beyond the 15th October 1947, free import of Oats might also be allowed.

The Chief Controller of Imports in his reply dated 14th November 1947 informed the Committee that the concession of free imports of some of the pulses had been withdrawn in respect of shipments made after 15th October 1947.

Supply of Wheat Flour and Sugar for the Manufacture of Biscuits for Civil Consumption

As published in the Summary Report of the Chamber for the year 1946, the Committee had requested the Director of Civil Supplies, Bombay, to look into the matter of supply of wheat flour and sugar to the biscuit manufacturing industry and in this connection they had also requested to examine the complaint of Messrs. Renown Biscuit Co., with regard to non-allotment to them of quota of wheat and sugar. The Director of Civil Supplies in his reply dated the 24th January observed that Messrs. Renown Biscuit Co., had been informed that in view of the unsatisfactory supply position of sugar and wheat, their request for allotment of wheat flour and sugar could not be entertained. It was added that Barley flour was at present being supplied to the biscuit manufacturers in the Bombay city, and that this could be supplemented by arranging for the quota of maize flour.

Housing Programme of the Government of Bombay

The Committee in their communication dated 22nd April 1947 addressed to the Government of Bombay referred to the Government Scheme of constituting the Provincial Housing Board with a view to evolving a programme of development of lands and the housing of industrial workers and low income groups and for raising necessary finance and other purposes. Government would thereunder undertake direct construction of new buildings and convert surplus military huts and other available structures for housing purposes. This scheme would assist employers, local bodies, and co-operative societies to undertake construction of houses conforming to the standards laid down for the purpose. The scheme involved a capital outlay of Rs. 7½ crores spread over a period of five years. The employers were also required to contribute to the extent of Rs. 2½ crores in the shape of levy with varying rates, namely Rs. 2 per month per employee in the case of an industrial or commercial establishment employing more than 100 workers and slightly reduced rates for establishments employing less than 100 workers.

The Committee drew attention of Government to the burden proposed to be placed upon the industry in the shape of levies above referred to and urged that such a proposal should not be rushed through without the interests concerned being taken into confidence and without considering the feasibility and workability of the scheme as a whole. In view of the financial obligations entailed in the scheme on employers, it was fair that the employers should be given a reasonable opportunity of studying and assessing the effects of these obligations and placing such before the Government.

In a letter dated 25th June 1947 addressed to the Government of Bombay, the Committee referred to the constitution and functions of the Provincial Housing Board in Bombay, as also to the tentative programme outlining the proposal of the Government regarding housing in Bombay. The Government proposed to carry out the programme by—

(*a*) A direct construction by Government themselves undertaking construction of new houses, and

(*b*) To assist construction by Government assisting employers, local bodies, co-operative societies and approved private individuals to undertake the construction of housing.

It was envisaged in the scheme that employers in Industrial area in Bombay, Ahmedabad and Sholapur should be required to contribute by a levy at the rate of Rs. 2 per month per employee in the case of industrial or commercial establishments employing more than 100 workers, and that the employers were in addition expected to put up tenements for the housing of their own labour with the assistance of the Government. They pointed out that the proposals of Government in regard to the financing of the scheme would impose onerous obligation on the employers which was not justified, since in the opinion of the Committee, the responsibility for providing industrial housing was essential and primarily lay with the Government. They further pointed out, that in their opinion, the problem of housing should be tackled on an all-India basis on the lines of the proposals initiated by the Government of India as a result of the recommendations of a special sub-committee appointed on the 7th May of the Tripartite Conference held in New Delhi on the 28th August 1945. They emphasised that housing of Industrial Labour should be recognised as the primary responsibility of the State and civic authorities and that no direct general financial obligations should be imposed on employers for meeting the cost of the housing programme except to the extent of an agreed contribution in respect of such housing as would be

allotted to the individual employers for the housing of their own labour.

Difficulties under the Rent Act in force in Bombay

Messrs. Walchandnagar Industries Ltd. represented to the Committee their difficulty in connection with the residential quarters allotted to their employees working in their factory. The specific nature of the difficulty was that under the present Rent Act, they were not in a position to take immediate possession of such quarters which fell vacant with the termination of the services of their employees. They complained that under the present Rent Act the relation between such employees and themselves was that of a tenant and landlord and as such the employees whose services had been terminated exercised their rights in connection with their tenancy under the Rent Act. The result was that they had to undergo long civil proceedings in Law Courts before they could take possession of such quarters. The Committee in their representation dated 18th March 1947 addressed to the Government of Bombay pointed out the nature of the injustice caused to such industrial institutions under the Act and suggested that steps should be taken that in the above-mentioned circumstances, the employers' right to secure possession of the premises should be recognised and safeguarded.

Policy governing Lease of Port Trust Lands

The Committee in their letter dated 14th December 1946 addressed to the Bombay Port Trust had suggested that as a matter of general policy the Port Trust lands should not be put up for auction and that the existing system of reservation of specific areas for particular trades should be strictly adhered to and that plots in such areas should be sold on a negotiated basis. They had suggested that the Port Trust should enlist the services of an Expert Valuer on whose advice the rates should be fixed. The Port Trust in their reply dated 14th February 1947 informed the Committee that the Trustees had decided as a matter of general policy that the plots should be sold by auctioning with a view to secure a fair market value. They, however, gave an assurance that every plot would not necessarily be sold by auction and that, where necessary, cases would be considered on their merits. It was stated that the existing policy of reserving specific areas for specific interests would be continued. It was added that the Trustees had placed an Officer on Special Duty to revise the schedule of rates for different areas and it would thus be possible to dispense with auctioning in many cases.

Lease of Plots on the Elphinstone Estate

The Committee had addressed the Bombay Port Trust supporting the claim of the Bombay Rice Merchants' Association for the lease of a plot on the Elphinstone Estate on the concessional rate which was required by them for their use. The plot in question was previously occupied by the Association, but the office premises were destroyed in the explosion of 1944. They now applied again for the lease of the plot but the Port Trust had decided to let out at a higher rent the plot destroyed by the explosion in the rice market. The Committee urged that in view of the contribution of the rice trade in the advancement of the Port, the Port Trust should extend to them the facility of being allowed to take lease of the plot applied for at concessional rates. The Port Trust in their reply dated 9th July 1947 observed that it was not possible to depart from the established principles in regard to the fixation of rents in the case of lease of a plot to the Rice Merchants' Association. If, on the ground that the said Association was not a trading body and that it was a representative of trade which had contributed materially towards the revenue of the Port Trust, any concession was shown to them in regard to the rates of rents, the same concession would have to be applied to all other large trade associations. It was, therefore, not possible to reduce the rent of the plot already fixed.

Town Planning Scheme and the Elphinstone Estate

The Committee in a letter dated 17th June addressed to the Bombay Port Trust referred to the Town Planning Scheme and its application to the Elphinstone Estate. They stated that according to their information the necessary formalities in this connection were being gone into and therefore it was necessary at this stage to draw their attention to a practical difficulty that would be experienced by those who were holding plots on monthly or yearly tenancy basis. In this process of the implementation of the Town Planning Scheme, the existing tenants might have to vacate the plots. The Committee suggested that as far as possible the existing tenants in such cases should be given the right of re-occupation after the completion of the Town Planning Scheme and to continue the annual or monthly tenancy on the same terms and conditions, subject of course to such adjustments or alterations as might be rendered necessary. They observed that the parties concerned had been tenants of the Port Trust and should be given the facilities of re-occupying their plots after the completion of the Town Planning Scheme. They requested the Port Trust to give a general undertaking to the

effect that the existing yearly and monthly tenants in the Elphinstone Estate could be given the right of first refusal even after the coming into force of the Town Planning Scheme.

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Scarcity of Fuel Supply in the City

The Committee in their communication dated 4th March 1947 addressed to the Government of Bombay, drew attention to the grave condition prevailing in the City and the Suburbs in regard to supplies of fuel for civil consumption and stated that it should have been the duty of Government to keep in reserve sufficient stock of coal for use in emergency conditions, in view of the disturbed conditions in North Thana and Kolaba Districts. It was pointed out that on account of the Government laxity in handling the situation, the public had been taken unawares by the grave shortage of such supplies of day-to-day use. While welcoming the introduction of rationing of charcoal supplies in the Suburbs on the basis of K(H) ration cards, they pointed out that having regard to such cards being supplied only to certain section of the public, the rationing of such supplies was made difficult by excluding many persons who had no such K(H) ration cards issued to them. Besides supplies were given on the basis of K(H) ration cards of five units and above which debarred other ration card holders who had less than five units. It was further pointed out that the quota fixed for five units was also inadequate. The Committee made a further suggestion that the kerosene quota under the rationing scheme should be increased in view of the satisfactory stocks of kerosene in the City.

Government, in their reply dated 24th March 1947, informed the Committee that the reserves of Charcoal stocks had been used up during the Bombay riots and that the imports had also considerably decreased. They, however, maintained that there was, at no time, a complete shortage of supplies of such fuel in the city. Regarding the rationing scheme introduced in the Suburbs, they stated that defects wherever found had since been removed and the quantum had been fixed on the basis of the available stock and anticipated production in the area from where the Suburban Districts were being supplied such fuel.

Stacking of Charcoal, Coal and Coke at Coal Depot, Sewri

In a letter dated 21st August addressed to the Municipal Commissioner, the Committee invited his attention to a circular issued by the Superintendent of Licences, Shops and Establishments, Bombay Municipality, to the charcoal and

steam-coal merchants holding plots at Coal Depot, Sewri, by which licences for the purpose of stacking coal at the above place would not be renewed by the Commissioner, unless the conditions mentioned in the circular were carried out by the Coal Plot holders. They pointed out that the Coal Plot holders at Sewri were experiencing practical difficulties in carrying out the various conditions in regard to the height of the stacks, the passage to be left all round each stack, for purposes of facilitating inspection, etc. It was, therefore, requested that the above terms and conditions should be reviewed in consultation with the coal-trade interests concerned and the stacking of coal at Coal Depot should be regulated on a practical basis.

Introduction of the Electric Grid System in the Bombay Province

At the instance of the Association of Electrical Undertaking, Bombay Province, the Committee addressed the Government of Bombay, on 14th April 1947, requesting that the interests concerned may be furnished with factual data along with other details of the grid system proposed to be introduced in the Province. They felt that Government should supply figures relating to the estimated work costs, expected financial results and the rates proposed to be charged for purposes of supply of electric energy for the information of the public concerned. It was added that the financial aspect of the new proposals should also be considered having regard to the rising trend of prices for electrical materials and machinery, which might make the introduction of the system a costly proposition.

B.E.S.T. Strike

Mr. Ratilal M. Gandhi, M.L.C., President, issued a press statement in regard to the B.E.S.T. Strike. It was emphasised that the strike had placed the public of Bombay in a great difficulty when transport was already scarce to meet the increasing requirements of the City. While not grudging the workers their right to a fair deal, it was stressed that the dispute should have been legitimately referred to the appropriate Conciliation machinery. By precipitating the strike, the workers of the B.E.S.T. had forfeited their claim to public sympathy. It was requested that the dispute should be referred for adjudication and the strike called off.

Export of Cattle, Poultry, etc.

The Committee had addressed the Government of India enquiring if exports of cattle were allowed out of India. They referred, in this connection, to an earlier communication from the Chief Controller of Exports in September 1945, in which it was stated that exports of cattle, sheep, goats and poultry to Afghanistan were allowed upto the level of exports during 1941-42. They, therefore, urged the Government to inform them whether the same policy was continued in regard to export of cattle. They also referred to the fact that an annual quota of exports of 72,000 Sheep and Goats was allowed to Ceylon and enquired of the reasons that prompted Government to allow such exports. Government in their reply dated 30th September 1947 informed the Committee that since April 1946, export of live-stock was prohibited excepting the export of sheep and goats from Madras to Ceylon. It was pointed out that Ceylon had always depended on India for her essential requirements of foodstuffs and it was, therefore, not expedient to cancel this small export quota of sheep and goats to that island particularly in view of the fact that this country was importing several foodstuffs from Ceylon.

Award in the Trade Dispute between the Cawnpore Electric Supply Corporation and its Employees

In a letter addressed to the Finance Department, Government of India, the Committee referred to the award of the Special Conciliator given in the matter of a claim put forward by the Cawnpore Electric Supply Corporation Limited employees to share in the assets of the Company which has now been purchased by the U.P. Government. The award decided in favour of the employees giving them 50% of the different reserves for distribution amongst them. The Committee referred to the objectionable character of the award admitting the claim of the employees of the Company to share in specific reserves and assets on the ground that such assets belonged to the shareholders and in no case such assets could be shared by the employees. The Committee also pointed out in this connection, that it was not open to Companies which had reserves at various stages before developments which necessitated dissolution to capitalise the reserves by the issue of Companies' shares. It was contended that the award as declared was illegal and the same will have very serious repercussions on the stock prices in general and particularly on the values of shares of Companies. The Committee in their representation supported the views of the

Native Share & Stock Brokers' Association, Bombay, already submitted to Government.

Election of the Representatives of the Chamber on the Bombay Port Trust

The following gentlemen were elected as representatives of the Chamber on the Board of the Bombay Port Trust for a fresh term of two years with effect from 1st April 1947:—

Mr. Ramdas Kilachand.
Mr. M. A. Master.
Mr. J. C. Setalvad.
Mr. Haridas Madhavdas.
Sir Berham N. Karanja.

Election of a Representative of the Chamber on the Board of the Port Trust in the Vacancy caused by the Death of Mr. Haridas Madhavdas

Mr. Madan Mohan Ruia was duly elected as representative of the Chamber on the Bombay Port Trust in the above vacancy.

Telephone Advisory Committee

The Committee nominated Mr. Ratilal M. Gandhi as their representative on the Telephone Advisory Committee.

Bombay Food Advisory Council

The Committee nominated Mr. J. C. Setalvad as the Chamber's representative on the re-constituted Bombay Food Advisory Council.

Nomination of the Representative of the Chamber on the Emergency Transport Board

The Committee nominated the Vice-President, Mr. Ramdas Kilachand, to represent the Chamber on the Emergency Transport Board.

Provincial Council On Blindness

The Committee nominated Mr. Ramdas Kilachand, Vice-President, as representative of the Chamber on the proposed Provincial Council on Blindness.

Advisory Committee regarding Allocation of Export Quotas of Cotton Piecegoods and Yarn

The Committee appointed Mr. Haridas Motilal Parikh as the Chamber's representative on the above Advisory Body,

in the vacancy caused by the death of Mr. Haridas Madhavdas.

Election of a Representative of the Chamber on the Traffic Advisory Committee

Professor M. P. Gandhi was elected as the Chamber's representative on the Traffic Advisory Committee for a fresh term of two years beginning from 1st October 1947.

Representative on the Advisory Committee of the R. A. Podar College of Commerce and Economics

The Committee re-appointed Sir Chunilal B. Mehta as their representative on the above Advisory Committee for a fresh term of 3 years.

Ad Hoc Committee regarding Export of Wool

The Committee appointed Mr. Haji E. Dossa as the representative of the Chamber on the *Ad Hoc* Committee regarding export of wool.

Bombay Social Hygiene Council

The Committee nominated Dr. M. Venkatarao as the Chamber's representative on the above Council.

Delegates to the 20th Annual Session of the Federation

Mr. Ratilal Mulji Gandhi.
Mr. Ramdas Kilachand.
Mr. M. A. Master.
Sir Rahimtoola M. Chinoy.

Nomination of Office-Bearers of the Federation for the year 1947-48

The Committee nominated Mr. M. A. Master for election as President of the Federation and Sir Rahimtoola M. Chinoy for election on the Committee from the Panel "Unspecified Trade and Commerce" representing Wireless Trade.

20th Session of the Federation of Indian Chambers of Commerce and Industry

The Committee in their communication dated the 17th January 1947 forwarded the following Draft Resolutions for consideration at the 20th Annual Session of the Federation:

(1) Adherence to the system of Private Enterprise.
(2) Sterling Balances.

(3) The Future Constitution of India and Commercial Safeguards.

(4) Indian Industrialisation and foreign capital and participation.

(5) Inter-provincial restrictions on Trade, Commerce and Industry.

(6) Inadequacy and standard of the Public Utility services.

(7) International Conference on Trade and Employment; and

(8) Increasing Food and Fodder Supply.

Election of a Representative of the Federation of Indian Chambers of Commerce & Industry on the Governing Body of the Indian Council of Agricultural Research

The Committee nominated Mr. N. G. Apte for election as the representative of the Federation on the above Committee. Mr. Apte has since been elected as the Federation's representative on the above Committee.

Election of two Representatives of the Federation of Indian Chambers of Commerce and Industry on the Re-constituted Export Advisory Council

The Committee nominated Mr. Sankalchand G. Shah and Mr. Tulsidas Kilachand as candidates for election of representatives of the Federation of Indian Chambers of Commerce and Industry on the Reconstituted Export Advisory Council. Since then Mr. Sankalchand G. Shah and Mr. Tulsidas Kilachand have been duly elected.

Election of a Representative of the Federation of Indian Chambers of Commerce and Industry on the Indian Accountancy Board

The Committee had nominated Mr. G. P. Kapadia as candidate for the election of a representative of the Federation on the above body. Mr. Kapadia has since then been elected as representative of the Federation on the Indian Accountancy Board.

Election of a Representative of the Federation of Indian Chambers of Commerce and Industry on the Court of Indian Institute of Science, Bangalore

The Committee nominated Dr. Vikram Ambalal Sarabhai as candidate for the election of the Federation's repre-

sentative on the above Institute. Subsequently, Dr. Vikram has been duly elected as representative of the Federation on the Court of the Indian Institute of Science, Bangalore.

All-India Board of Technical Studies in Commerce and Business Administration

Government of India, Ministry of Education, by their letter dated 11th November 1947, invited the Committee to recommend representatives for nomination on the All-India Board of Technical Studies in Commerce and Business Administration. Accordingly, the Committee recommended Prof. M. P. Gandhi and Mr. Keshavprasad C. Desai for nomination on the Board.

Death of Seth Haridas Madhavdas

The Committee at their meeting held on Tuesday the 17th June 1947 passed a resolution placing on record their sense of deep loss and sorrow at the death of Seth Haridas Madhavdas.

Membership of the Chamber

At the beginning of the year, there were on the Register 1,884 Members. During the year 506 Ordinary Members were elected; and 41 discontinued their membership (31 having resigned, 2 having died, and 8 having been struck off from the Register). There are thus 2,349 Members now on the Roll.

It may be mentioned that there were 103 Association Members at the beginning of the year; 11 Associations joined as Members and 6 resigned during the year. There are thus 108 Association Members.

Commercial Examinations

The Commercial Examinations conducted by the Chamber in various centres in India were held from 28th April to 2nd May 1947. The total number of candidates who appeared at these examinations was 1,093. Out of these 246 passed in Diploma subjects and 282 passed in Certificate subjects. 118 candidates were accorded exemptions in various subjects. 55 recognized institutions sent candidates for the examinations. The examinations were held in the following centres:—

Bombay
Poona
Ahmedabad
Surat
Mysore
Bangalore
Trichinopoly
Palghat
Madras
Mangalore
Nagpur
Junagadh
Delhi
Lahore
Ladnun
Indore
Baroda

Library of the Chamber

During the course of the year nearly 250 books were added to the Library of the Chamber—names of which were published in the monthly issues of the *Journal*—apart from the reports received from the Central and Provincial Governments and other minor pamphlets received from various institutions. Nearly 400 members of the Chamber and their friends took advantage of the books available in the Library. Nearly 600 inquiries were answered in connection with reference books and such other minor information through the Chamber's Library. It is, however, hoped that more members would frequently take advantage of the various books and journals received in the Chamber and profit from the literature available therefrom.

Accounts

The Statement of Accounts of the Chamber for the year ended 31st December 1947 with the Auditors' Report is annexed hereto. It will be observed that a sum of Rs. 3,260-12-0 has been received as contribution from the Representatives of the Chamber on various Public Bodies. The best thanks of the Committee are due to the gentlemen who have made these contributions.

THE INDIAN MERCHANTS' CHAMBER

Balance Sheet as at 31st December 1947.

LIABILITIES	Rs.	a.	p.	PROPERTY & ASSETS	Rs.	a.	p.
CAPITAL FUND AND OTHERS:							
CAPITAL FUND:							
Admission fee of members upto 31-12-46 ...	1,23,800	0	0				
Admission fee of members received during the year ...	26,000	0	0				
	1,49,800	0	0				
Patron fees upto 31-12-46	97,500	0	0				
	2,47,300	0	0				
Contribution from Messrs. Narrondass Manordass	20,000	0	0				
FUNDS EARMARKED FOR LIBRARY: (Amount spent upto 31-12-47 Rs. 2,477-13-3)	3,209	4	6				
L. R. TAIRSEE MEMORIAL FUND:							
Donation	3,000	0	0				
Rs. a. p.							
Balance upto 31-12-46 84 2 11							
Interest during the year 118 2 1							
202 5 0							
Less: Cost of prize awarded 202 5 0	Nil						
	3,000	0	0				
DENA BANK PRIZE FUND:							
Donation	1,800	0	0				
Rs. a. p.							
Balance upto 31-12-46 151 10 0							
Interest during the year 40 6 0							
192 0 0							
Less: Cost of prize awarded ... 98 1 0	93	15	0				
	1,893	15	0				
Subscriptions received in advance from members	2,800	0	0				
Staff Provident Fund	32,038	1	4				
Staff Income-tax	268	1	0				
Sundry Creditors for expenses	825	10	0				
Sundry Deposits	1,100	2	0				
Deposit of Gratuity amount	4,175	0	0				
INCOME AND EXPENDITURE ACCOUNT:							
Balance as at 31st December 1946	2,67,698	12	7				
Add: Excess of Income over Expenditure (as per annexed Account)	15,925	5	7				
	2,83,624	2	2				
				FURNITURE & FITTINGS AT COST:			
				Upto 31-12-46	26,268	5	0
				Additions during the year ...	7,211	5	6
					33,479	10	6
				Less: Depreciation Rs. a. p.			
				Upto 31-12-46 ... 10,032 0 0			
				During the year... 1,970 0 0			
					12,002	0	0
					21,477	10	6
				MEASUREMENT DEPARTMENT:			
				Furniture and Fittings at Cost			
				Upto 31-12-46	8,766	0	0
				Less: Depreciation Rs. a. p.			
				Upto 31-12-46 ... 1,238 0 0			
				During the year... 657 0 0			
					1,895	0	0
					6,871	0	0
				BOOKS FOR LIBRARY:			
				Upto 31-12-46	29,072	12	2
				Additions during the year ...	1,310	1	6
					30,382	13	8
				Less: Depreciation Rs. a. p.			
				Upto 31-12-46 ... 13,040 0 0			
				During the year... 2,155 0 0			
					15,195	0	0
					15,187	13	8
				Motor Car and Accessories			
				Upto 31-12-46 ...	7,186	4	0
				Less: Depreciation during the year	1,437	0	0
					5,749	4	0
				Subscriptions due from Members	7,825	0	0
				ADVANCES:			
				Deposit with Central Publication Branch, Delhi	34	0	3
				Income-tax and Super-tax Advance Payment	1,860	15	0
				Loan to Staff	625	0	0
					2,519	15	3
				INVESTMENTS: (Government Securities, etc. at Cost)			
				CAPITAL FUND: Rs. a. p.			
				3% 1st Development Loan (1970-75) of Rs. 45,000 44,292 3 0			
				2¾% Loan (1962) of Rs. 29,000 29,000 0 0			
				2¾% Conversion Loan (1976) of Rs. 10,000 9,900 0 0			
				3% Conversion Loan (1946) of Rs. 50,000 50,000 0 0			
				3% Loan (1951-54) of Rs. 10,000 9,996 14 0			
				3% Loan (1963-65) of Rs. 30,000 30,065 10 0			
				3% Loan (1959-61) of Rs. 15,000 15,384 6 0			
				3% Loan (1959-61) of Rs. 15,000 15,721 14 0			
				5% Municipal Loan (1959) of Rs. 10,000 8,862 8 0			
				Loan to L. N. Memorial Trustees 14,000 0 0			
				In Current Account with Central Bank of India, Ltd. (Part of Rs. 51,328-14-2) 20,076 9 0			
					2,47,300	0	0
				GENERAL FUND:			
				3% 1st Development Loan (1970-75) of Rs. 60,000 58,293 12 0			
				4% Port Trust Bond (1969) of Rs. 2,000 2,025 0 0			
				2¾% Loan (1962) of Rs. 9,000 9,000 0 0			
				2¾% Conversion Loan (1976) of Rs. 40,500 40,095 0 0			
				3% Loan (1951-54) of Rs. 15,000 14,995 5 0			
				2¾% Loan (1948-52) of Rs. 20,000 20,025 0 0			
				3% Loan (1970-75) of Rs. 25,000 26,250 0 0			
				3% Loan (1959-61) of Rs. 15,000 15,384 6 0			
				3½% B. P. C. L. M. Bank Deb. (1957-62) of Rs. 30,000 30,825 0 0			
				Loan to L. N. Memorial Trustees 23,500 0 0			
					2,40,393	7	0
				COMMERCIAL EXAMINATIONS PRIZE FUND:			
				4% Loan (1960-70) of Rs. 2,800 L. R. T. Memorial Fund 2,996 0 0			
				3% Conversion Loan (1946) of Rs. 1,800 Dena Bank 1,800 0 0			
					4,796	0	0
				CASH AND OTHER BALANCES:			
				In Current Account with Central Bank of India Ltd. 31,252 5 2			
				In Current Account with Bank of India Ltd. 14,630 4 2			
				Cash on hand, (including cheques) 2,231 8 3	48,114	1	7
					5,40,603	8	7
Total Rs. ...	6,00,234	4	0	Total Rs. ...	6,00,234	4	0

Bombay, 7th January 1948.

DEVIDAS VITHALDAS & CO.,
Registered Accountants & Auditors.

THE INDIAN MERCHANTS' CHAMBER

Income and Expenditure Account for the year ended 31st December 1947.

EXPENDITURE	Rs.	a.	p.	INCOME	Rs.	a.	p.
To:—				By:—			
Office Establishment	95,167	2	0				
Insurance, Heating & Lighting Charges ...	764	11	0	Membership Subscriptions ...1,68,100 0 0			
Telephone Charges	1,155	0	0	*Less*: Bad Debts ... 900 0 0			
Postage & Telegrams	8,745	14	3		1,67,200	0	0
Printing Reports, etc.	19,807	14	6				
Do. Journal	15,642	4	0				
Stationery	6,696	2	2				
Newspapers and Periodicals	2,028	11	0	Contributions from Chamber's Representatives on various Public Bodies	3,260	12	0
Miscellaneous Expenses	1,936	13	9				
Upkeep of Library, including Binding Charges ...	32	0	0				
Conveyance Charges	564	1	6				
Commission on Advertisements	233	10	9	COMMERCIAL EXAMINATIONS: Rs. a. p.			
Auditors' Honorarium	300	0	0				
Travelling Expenses	925	8	0	Fees for Examinations ... 12,684 8 0			
Repairs to Furniture, etc.	709	8	0				
Chairs, etc. Hire	210	0	0	Fees for recognition of Commercial Institutions ... 465 0 0			
Membership Subscription to the Federation of Indian Chambers of Commerce and Industry...	500	0	0				
Do. to the Indian National Committee of the International Chamber of Commerce	100	0	0	Sale of Syllabus and Question Papers ... 86 11 6			
Contribution to Indian Chamber of Commerce in Great Britain	29	15	9				
Bank Commission	95	7	6	Advertisement in Syllabus ... 200 0 0			
Safe Custody Charges	143	0	0		13,436	3	6
Advertisement Charges	198	14	0				
Loss on Conversion of Securities	2,422	8	0	Interest on Investments and Current Accounts ...	9,892	0	0
Contribution to Staff Provident Fund ...	5,260	0	0				
Interest on Staff Provident Fund	873	13	0	Fees for issuing Certificates of Origin, etc. ...	6,080	0	0
COMMERCIAL EXAMINATIONS: Rs. a. p.				Advertisement in Journal	5,398	0	0
Remuneration to Examiners, Centre Expenses, etc. ... 4,285 6 0				Subscriptions to Journal	600	14	0
Printing and Stationery ... 1,264 7 6				Sale of Members' List, etc.	782	0	0
Postage & Telegrams ... 449 10 9				Sundry Receipts	74	14	0
	5,999	8	3	Measurement and Weighment Fees ...	35,944	15	6
Motor-car Maintenance Charges	2,593	1	6				
Income-Tax and Super-Tax	2,336	9	0				
Freedom Day Celebrations Expenses ...	3,109	9	6				
Presentation to Mr. J. K. Mehta	2,083	6	0				
Gratuity to Staff Member	5,000	0	0				
Election Expenses	993	15	0				
MEASUREMENT DEPARTMENT:							
Salaries and Wages ... 28,075 11 9							
Rebate of Fees ... 3,657 2 0							
Printing and Stationery ... 712 8 6							
Postage & Telegrams ... 23 8 6							
Repairs to Furniture ... 216 0 0							
Conveyance Charges ... 146 15 6							
Petty Expenses ... 950 2 9							
Insurance ... 31 10 0							
Rates and Taxes ... 35 2 0							
Interest on Staff Security Deposit 17 8 0							
	33,866	5	0				
DEPRECIATION:							
Furniture and Fittings ... 1,970 0 0							
Do. (Measurement Dept.)... 657 0 0							
Library Books ... 2,155 0 0							
Motor-Car ... 1,437 0 0							
	6,219	0	0				
Balance being excess of Income over Expenditure transferred to Balance Sheet (subject to Taxation) 1946 & 1947	15,925	5	7				
Total Rs. ...	2,42,669	11	0	Total Rs. ...	2,42,669	11	0

We have audited the foregoing Balance Sheet of the Indian Merchants' Chamber as at 31st December 1947, and also the foregoing Income and Expenditure Account for the year ended upon that date, and report that—

(*a*) we have obtained all the information and explanations we have required;

(*b*) in our opinion, the foregoing Balance Sheet and Income and Expenditure Account are drawn up in conformity with the books;

(*c*) we have verified the Investments; and

(*d*) such Balance Sheet exhibits a true and correct view of the state of the Chamber's affairs according to the best of our information and explanations given to us and as shown by the books of the Chamber.

DEVIDAS VITHALDAS & CO.,
Registered Accountants & Auditors.

Bombay, 7th January 1948.

RATILAL MULJI GANDHI,
President.

A. C. RAMALINGAM,
Secretary.

LALJI NARANJI MEMORIAL INDIAN MERCHANTS' CHAMBER BUILDING TRUST

Balance Sheet as at 31st December 1947

FUNDS & LIABILITIES				Rs.	a.	p.	PROPERTY & ASSETS				Rs.	a.	p.
Contributions from Donors :							**Building at Cost :**						
As per last Balance Sheet			...	1,81,039	12	0	As per last Balance Sheet			...	2,34,389	1	2
Loan secured Hypothecation of Documents (Indian Merchants' Chamber)			...	37,500	0	0	**Rents Outstanding :** (Considered good)			...	1,591	8	0
Interest accrued on above			...	750	0	0	**Pre-Paid expenses :**				1,778	6	6
Liabilities :	Rs.	a.	p.				**Cash Balances :**	Rs.	a.	p.			
For Expenses ...	2,011	8	0				Cash at bank Current Account	7,538	5	11			
For Rent Deposit ...	750	0	0				On hand	1,286	5	3			
				2,761	8	0					8,824	11	2
Revenue Account :													
As per last Balance Sheet	...20,688	4	4										
Surplus during the year (Suject to Depreciation and Taxation for 1946 & 47.)	3,844	2	6										
				24,532	6	10							
Total Rs. ...				2,46,583	10	10	Total Rs. ...				2,46,583	10	10

LALJI NARANJI MEMORIAL INDIAN MERCHANTS' CHAMBER BUILDING TRUST

Revenue Account for the year ended 31st December 1947

EXPENDITURE		Rs.	a.	p.	INCOME		Rs.	a.	p.
TO:					BY:				
Ground Rent	...	7,942	0	0	Rent	...	23,870	4	0
Municipal Tax	...	7,015	10	6	Interest on current Deposit A/c	...	17	9	0
Electric Charges	...	795	9	9					
Fire Insurance	...	189	11	0					
Salaries & Wages	...	1,142	0	0					
Maintenance & Repairs	...	516	0	9					
General Charges	...	81	8	0					
Income-tax & Super-tax (1945)	...	1,605	3	0					
Postage (Revenue Stamps)	...	5	11	0					
Interest on Loan	...	750	0	0					
Bank Charges	...	0	4	6					
		20,043	10	6					
Surplus during the year subject to Depreciation & Taxation for 1946 & 1947.		3,844	2	6					
Total Rs.	...	23,887	13	0	Total Rs.	...	23,887	13	0

We have audited the foregoing Balance Sheet of the Lalji Naranji Memorial Indian Merchants' Chamber Building Trust as at 31st December 1947 and also the foregoing Income and Expenditure Account for the year ended upon that date, and report that:—

(a) we have obtained all the information and explanations we have required;
(b) in our opinion, the foregoing Balance Sheet and Income and expenditure Account are drawn up in conformity with the books;
(c) we have verified the investments; and
(d) such Balance Sheet exhibits a true and correct view of the state of the Trust's affairs according to the best of our information and the explanations given to us and as shown by the books of the Trust.

Bombay, 16th January 1948

Devidas Vithaldas & Co.
Registered Accountants.
Hon. Auditors.

A. C. Ramalingam
Hon. Secretary.

(1) Chaturbhuj Gordhandas Soondardas
(2) Gordhandas Goculdas Morarji
(3) Pranlal Devkaran Nanjee
(4) J. C. Setalvad
(5) Mathuradas Vissanji
Trustees.

APPENDICES

I.—TRANSPORT AND COMMUNICATIONS

APPENDIX 1

General Revision of the Port Trust Acts

Letter No. 361, dated 10th February 1947, from Chamber to the Secretary, Bombay Port Trust.

I am directed to acknowledge receipt of your letter of the 24th December 1946 and in reply to send to you hereby the views of my Committee on the question of the revision of the Port Trust Act, so far as Bombay is concerned, with particular reference to the provisions in the Act regarding the composition and constitution of the Board of Management of the Trust. In this connection, I am desired to point out that your letter under reference has invited the views and suggestions of my Committee only on the specific issue of the representation that should be given to Indian commercial interests on the Port Trust Boards. They, however, note that in the D.O. letter dated 25th September addressed by Mr. Thopanlal of the Department of Transport to Sir Rama Rao, Chairman of the Bombay Port Trust, the views and suggestions of the Port Trust have been invited in regard to the revision of the Port Trust and the Port Trust Acts, as a whole. In fact, the statement appended to that letter refers to various issues and points indicating the difficulties that have been noticed in the existing Port Trust Acts and the Board of the Bombay Port Trust naturally are expected to formulate their views on these points. It is felt that the Bombay Port Trust should have given my Committee and the other commercial interests an opportunity to express their views on all those points also. However, with your letter No. 561 of the 21st January 1947 you were good enough, in response to a request, to send for the information of my Committee a copy of the letter from the Department of Transport above referred to. My Committee will, in due course, examine those points and suggestions and, if necessary send to you another communication containing their views on the same. In the meanwhile, I am hereby desired to send to you, in advance, their proposals and suggestions on the main issue of the revision of the provisions of the Port Trust Act so far as it relates to the constitution and composition of the Board of the Bombay Port Trust.

Under the Bombay Port Trust Act, 1879, the Board of the Bombay Port Trust consists of 22 Trustees, of which 13

are elected Trustees, 8 nominated Trustees and a Chairman appointed by Government. The Elected Trustees are returned as under :

5 by the Indian Merchants' Chamber,

5 by the Bombay Chamber of Commerce,

2 by the Bombay Municipal Corporation, and

1 by the Bombay Millowners' Association.

The nominated complement generally includes officials like the Collector of Customs, the General Manager of the G.I.P. Railway, the General Manager of the B.B. & C.I. Railway, the Municipal Commissioner, the Commissioner of Police, representatives of the Embarkation Command and the R.I.N., etc. A representative of Labour interest is also generally nominated. The main points of criticism in the past against the composition of the Port Trust Board on the above basis were two-fold ; firstly, that there was an undue weightage given to European commercial interests and that Indian commercial interests were not adequately represented, and secondly, the process of nomination as above militated against Indians securing a clear majority in the Port Trust Board and also against the effective representation of true public opinion. So far as the second aspect is concerned, with the transformation in the political position of the country and *pari passu* with the progress of Indianisation in Government services, the interests sought to be represented on the Board by nomination by the Provincial Government will be increasingly represented by Indians. Even so, it is necessary to provide that the seats to be filled in by nomination are reduced to the minimum and that representation on the Board is principally and mainly secured by the process of direct election by organisations specified for the purpose.

Coming to the specific issue of representation to commercial interests, my Committee are of the emphatic opinion that special representation to European commerce is, in the altered circumstances, an anachronism. The process of transference of power to the sons of the soil should inevitably mean that such transference is complete and covers all branches of the nation's activities. The weightage given to European commerce for the purpose of representation in such Public Bodies is the heritage of the past political subordination of this country and if the transference of political power is to have any real meaning and significance, there should now be a definite break with the past in regard to the policies and practices accepted in such matters. Representation on public bodies or quasi-public bodies should be fundamentally and completely confined to the nationals of the country and public opinion cannot any longer acquiesce in attempts to the

continuance of any such special privileges to European commercial interests.

It was ingenuously sought in the past to justify the representation to British commercial interests on the Port Trust on the basis of the direct interest in the import and export trade of the port concerned of such interests, meaning thereby that organisations representing European commercial interests should be given on the Board of a Port Trust representation roughly proportionate to their share of the sea-borne trade of that port. The very basis of this argument is wrong as the rights of nationals and non-nationals in the affairs of the public institutions in the country cannot be equated in terms of the share of the trade or other economic interests. Surely, it is inconceivable to suggest that just because there is a good volume of import and export trade between the U.S.A. and India or Japan and India, and as such the American or the Japanese merchants resident in India have a substantial share in the handling of the trade in question, special representation should be vouchsafed to the American or the Japanese interests either in the Port of Bombay and in the ports elsewhere in the country or in other similar public bodies. Claims based on any such consideration cannot but be termed as fantastic.

It is significant to ask whether at any time the British authorities have considered the question of special representation in the London Port authority to any of those countries having an appreciable share in the trade passing through the port of that city ? The sea-borne trade between India and the U.K. has, both in volume and in importance of the goods and commodities exchanged, been very substantial all along. The London Port authorities have not thought it fit or necessary to include any Indian representative in their Board of Management.

Without in any way accepting the validity of the suggestion that representation should be based on the share of the direct interest in the import and export trade of a port, my Committee would like to point out another serious fallacy in any scheme of division on that basis or in that line of argument. In determining the share of the sea-borne trade of the European or the Indian commercial interests at a particular port, statistics would naturally be compiled on the basis of the imports or exports recorded in the name of all European importing or exporting houses on the one hand and of such Indian houses on the other. It is pertinent to bear in mind that in many cases such European importing or exporting houses are in the nature of middlemen and that the real importers or exporters are entirely different parties. The point may be illustrated by a hypothetical instance : there

may be half a dozen indent or importing houses of, say, cotton textiles of British nationality, importing textile goods from the U.K. to India or more particularly to the port of Bombay. It is a matter of common knowledge that such importing houses are merely acting for the large number of Indian merchants and business houses in the market towns of the country. The business which in the record of the sea-borne trade or at the Customs House thus appears to the credit of the indent houses in question, really pertained to the actual merchants on whose behalf the goods were imported. The rough-and-ready method, therefore, of estimating the share of the trade in a particular port as between nationals and non-nationals by the Custom House manifests of importers or exporters is artificial, if not misleading, and it is highly improper to come to conclusions regarding the share of the trade of particular interests on the basis of such estimates made on considerations of a fictitious character.

My Committee are mentioning the above circumstances to bring home to the authority the absurdity of the argument about adjusting representation on the basis of the share of trade as between nationals and non-nationals. They are, therefore, strongly of the view that the practice of special representation to European commercial interests on public bodies should now definitely cease and that all the seats allotted for representation of commerce in the Bombay Port Trust Board should go to Indian commercial interests.

Another issue of broad principle which would arise in securing the representation of Indian commercial interests is whether specific branches of commerce or particular trades should be separately represented through their own Associations. In the Bombay Port Trust Board the Millowners' Association is the only other commercial organisation having direct separate representation. While my Committee have nothing to say against the continuance of direct representation to this important organisation, they would like to urge that generally speaking, it is desirable to avoid separate representation for specific branches of trade or organisations of a sectional character. The proper course would be to recognise the leading Indian Chamber of Commerce of the port as the main medium of representation and to leave it to that Chamber to make such internal adjustments and arrangements as may be necessary to ensure that all important branches of trade activities in the port are reflected in the persons selected by that body for purposes of representing it on the Board of the Port Trust. In fact, the Indian Merchants' Chamber, under the existing arrangements, has provided by specific internal rules that in so far as the five seats allotted to it under the present constitution of the Board

of the Bombay Port Trust are concerned, the nominees shall be from definite panels representing specified trade interests. My Committee may here be allowed to recall the discussion on this aspect of the question in the year 1923 during the course of the debate on the Bombay Port Trust Bill. Replying then to the claim for separate representation for particular trades made on behalf of various Associations, Sir Chimanlal Setalvad, the then General Member of the Executive Council of the Government of Bombay, pointed out that Indian commercial interests should be represented through a Central Body like the Indian Merchants' Chamber and that any interest which wished to go on to the Board of the Port Trust should seek election through that body. My Committee have no desire to belittle the importance or the usefulness of Associations for specific branches of trade, but they only wish to emphasise that for purposes of representation of commerce in public bodies, it would, as a general rule, be desirable to leave it to the leading Indian Chamber of Commerce. Thus, all the seats intended for Indian commercial interests, including the five seats to be released by the discontinuance of representation to the Bombay Chamber of Commerce, should now be definitely allotted to the Indian Merchants' Chamber, the only exception being the continuance of the existing seat to the Bombay Millowners' Association.

It would not be out of place here to make a reference to the organisation of the Indian Merchants' Chamber and the interests represented by it. The Indian Merchants' Chamber was established in 1907. It was, in fact, the first organised Indian Chamber of Commerce in the whole country. Under the Montague-Chelmsford Reforms Scheme the Chamber was given the seat reserved for Indian commerce in the Bombay Legislative Assembly. In addition to representation in the Central Legislative Assembly and in the Bombay Legislative Assembly, the Chamber enjoys the privilege of sending representatives to various public bodies such as the Indian Central Cotton Committee, Railway Rates Advisory Committees, Local Advisory Committees of the Railways, the Municipal Corporation, the Senate of the Bombay University, the Governing Body of the I.M.M.T.S. "Dufferin", the Sailors' Home Committee, the Board of Communications, the Traffic Advisory Committee in Bombay and several other Statutory and Advisory Bodies. The Chamber represents more than 75 different types of trades and businesses and, has on its roll 288 leading joint-stock companies, including all the leading banks, insurance, shipping, industrial undertakings and import and export houses. Besides, 105 organised Trade Associations representing different trades such as grain, seeds,

bullion, sugar, rice, iron, chemicals, yarn, piecegoods, machinery and stores, paper, silk and artificial silk are affiliated to the Chamber as members, and 20 representatives of such Trade Associations are directly co-opted on the Managing Committee of the Body with a view to afford full opportunities to the trade interests concerned to place their difficulties and points of view from time to time prominently before the body. The total membership at the moment is over 1,900. The Chamber is considered by the Commercial Associations generally as the apex body in the city and the Presidency so far as Indian commercial interests are concerned and in a practical sense the representatives selected by the Chamber can be deemed to be representatives of the large number of Associations concerned with a variety of interests. The organisation of the Chamber is thus very broad-based. By allotting all the seats meant for commercial interests to the Indian Merchants' Chamber, therefore, Government would be securing representation of all branches of economic, trade and industrial activities. My Committee are sending attached to this letter two copies of the list of members of the Chamber.

As mentioned above, if all the seats intended for Indian commerce, including the five seats to be released by the termination of representation to the British commercial interests through the Bombay Chamber of Commerce are given to the Indian Merchants' Chamber, necessary internal adjustments and arrangements would be made so as to secure that the persons returned reflect all important branches of the trade activities of the port.

It is relevant, in this connection, to mention that the Bombay Delimitation Committee which went into the question of distribution of seats in the Provincial Legislature, was confronted with a similar problem of claims by diverse interests for direct representation. Their views and conclusions on this point are of special significance in coming to final decisions in regard to the question of separate representation sectionally or specific trade interests on the Port Trust Board. My Committee would, therefore, request to be allowed to draw the attention of the Port Trust to the following extracts from the conclusions of the Delimitation Committee :

> "If special representation is to be given to commerce it is in our opinion essential that the associations which form these constituencies should be well established and of such standing and importance that they could be relied upon to send to the Assembly as their representatives men of outstanding ability and experience, whose expert knowledge would be of help to the legislature. None of the associations from whom represen-

tations were received by us is, in our opinion, better entitled to represent Indian commerce than those which form the existing constituencies and the continuance of which the Commissioners have recommended. We considered also whether it would not be possible to combine with the existing associations some of those which have now applied for representation, but came to the conclusion that this was neither desirable nor necessary. The two Millowners' Associations which enjoy seats (in the Legislative Assembly) represent adequately and efficiently the interests of the mill industry in the two principal centres of that industry in the Presidency, while the Indian Merchants' Chamber *is, in our opinion, thoroughly representative of the interests of Indian commerce generally and is best fitted to represent those interests in the provincial legislatures.*" (Italics are ours.)

The above observations apply with equal force to the question of the manner and method of representation of Indian commerce in the Bombay Port Trust also.

In conclusion, my Committee wish to emphasise their main points that firstly the system and practice of giving special representation to British commercial interests through the European Chamber of Commerce on the Port Trust Boards should now definitely end, that representation to Indian commercial interests should be through the medium of the main Indian Chamber of Commerce in a port and in Bombay through the Indian Merchants' Chamber and that all the seats released by the discontinuance of representation to the Bombay Chamber of Commerce so far as the port of Bombay is concerned, should be allotted to the Indian Merchants' Chamber, and secondly, that the seats to be filled in by nomination by Government should be reduced to the minimum.

Letter No. 3111, dated 19th November 1947, from Chamber to the Bombay Port Trust.

I am directed to refer to your letter No. A|GA-PT. 8772 dated the 4th November 1947 on the above subject. In this connection, I am to point out that the Committee of my Chamber while expressing their considered views on the question of representation of commercial interests on the Board of the Bombay Port Trust had in their letter No. 361 dated the 10th February 1947 anticipated the need for a change in policy following the transference of political power and had stressed that representation on public bodies should be fundamentally and completely confined to the nationals of the country. They had also emphasized that representation to Indian Commercial interests should be through the

medium of the main Indian Chamber of Commerce in the different port centres concerned and in Bombay through the Indian Merchants' Chamber and that all the seats allotted for representation of commerce should be given, so far as the Bombay Port Trust is concerned, to this Chamber.

My Committee adhere to the above views, and the political developments consequent upon the partition of the country, in their opinion, do not call for any further comments or suggestions at this stage.

APPENDIX 2

Setting up of a Shipping Board

Letter No. 1548, dated 16th June 1947, from Chamber to the Federation of Indian Chambers of Commerce and Industry.

I am directed to acknowledge receipt of your letter No. F.1090|516, dated the 17th May 1947 forwarding a copy of a letter received by the Federation from the Government of India, Department of Commerce, on the above subject, and inviting the views of my Committee on the proposals of Government in regard to the procedure to be followed in the appointment of the Board and in the selection of the personnel therefor.

It is relevant in this connection, to point out that Section 9(b) of the Control of Shipping Act, 1947, provides that Government shall by rules prescribe " the manner in which rates shall be fixed under Section 6, including the constitution and functions of a Board to advise the Central Government in respect of such rates ". The main function, therefore, of the proposed Board would be to formulate proposals for recommendation to Government on matters concerning the regulation of shipping rates. Under Section 6 of the Act, Government have power to fix rates at which any ships registered in British India may be hired and the rates which may be charged for the carriage of passengers or cargo taken on any ship, whether registered in British India or not, at a port or place in British India for discharge at any port or place in the continent of India. Obviously, therefore, although the functions of the Board are advisory, they will be expected to tender advice to Government on the broad principles and the detailed considerations and factors on which fixation of shipping rates for the above purpose, are to be based. The discharge of the functions in the above directions would necessarily call for a fair degree of direct knowledge of shipping business and practice and an insight into the financial working of shipping companies as a whole. It is obvious that only persons who have had some direct connection and con-

tact with companies running shipping services would be able to bring to bear in the discharge of their above functions that practical insight into the problems of shipping so necessary for formulating a correct policy for the fixation of shipping rates. The proposals of Government in this regard have, therefore, to be examined from the above standpoint.

The Government of India, in their communication in question, mention that they are provisionally inclined to the view that the Board should consist of whole-time members as they feel that in view of the limited life of the Body, it will not be able to perform satisfactorily the functions assigned to it, unless its members can devote the whole of their time to its work. Further, Government feel that it would be best if all the members were independent persons and not representatives of either shipping companies or shippers. In coming to the above tentative conclusions, Government have been influenced by three factors. Firstly, Government fear that it would be difficult to obtain representatives of shipping companies who could serve as whole-time members. This fear, in the opinion of my Committee, is unjustified. It may significantly be pointed out in reply that the experience during the period of the war belies the Government's apprehension in this regard. It is a matter of common knowledge that during the war, besides shipping, many other business houses of repute and standing readily responded to the requirements of Government and spared the whole-time services of key officials, including technical men, to undertake and man the various war-time activities of governmental departments. This experiment is understood to have proved very successful as Government were enabled to have the services of experienced men in the handling of the problems of a special nature. There is, therefore, no reason whatsoever why Government should entertain any doubts regarding the prospects of securing representatives with experience in shipping companies, for serving as whole-time members of the proposed Board.

The second objection of Government is that the Board would, in the course of their work, be called upon to examine the financial working of the shipping companies concerned, and the companies might object to their accounts being scrutinised either by members of rival concerns or by representatives of shippers. Accounts are not anything in the nature of trade secrets. The Board would be primarily concerned with the question of fixing a fair basis for the rates to be charged and for that purpose, the members would generally be concerned with a scrutiny of the financial working of the shipping companies from the point of view of the level of

rate which could be deemed economic. The members chosen for the purpose will have to discharge these functions judiciously and in a fair manner and there is no reason for any fear that just because a particular member of the Board was connected with a shipping company he may not discharge his function impartially and conscientiously. On the other hand, as previously mentioned, the experience during the period of the war in enlisting the services of business personnel for governmental work does not warrant such fears. Government themselves have testified to the high degree of impartiality and integrity exhibited by these war-time loaned officials in the discharge of their administrative and official duties, although in many cases most of them had to deal with matters in which their business compeers were directly concerned.

The other fear that if the Board is composed of representatives of shipping interests, it might be difficult to submit agreed recommendations is also untenable. The members of the Board can be expected to take an enlightened view of their responsibilities. They are, there not to further the interests of any particular company or concern, but to come to decisions based on the facts and special circumstances of a particular case, on the reasonableness or otherwise of a level of rate that may be recommended to Government. In the discharge of the above work, my Committee do not see how there can be occasions for mutual recriminations, resulting from conflict of interests. It may not be out of place to mention that even without the machinery of such a Board as an intermediary, the interests concerned have been, by mutual consultation and adjustment, able to settle matters relating to rates and fares on an agreed basis. After all, the members returned to such a Board may be expected to be drawn from a particular level and it is reasonable to assume that they will, realising the important nature of the functions assigned to the Board, do their work in an atmosphere of reality, free from conflicts of a personal nature, as apprehended by Government.

Apart from the fact that the objections advanced by Government in their communication are not fundamental and cannot be sufficient reason for excluding representatives of shipping interests on the Board, my Committee would like to emphasise that the utility of the Board would be considerably minimised if Government deprived it of the services of men having the background of practical experience in shipping undertakings. My Committee believe that in authorising the appointment of an Advisory Committee, the Legislature had in view that the officials of the Department administering the Act should have some machinery for expert

assistance. That object will be nullified if shipping interests are precluded from being represented on the Board.

They are, therefore, strongly opposed to the provisional proposals of Government and urge that in framing the rules under Section 9 of the Act, specific provision be made for including representatives of shipping interests on the Shipping Board.

APPENDIX 3

Special Facilities for Weighing and Examining Silk and Art Silk Fabrics in the Docks

Letter No. 421, dated 14th February 1947, from Chamber to the Collector of Customs, Bombay.

The Silk Merchants' Association have forwarded to me a copy of their letter No. SNA|Gen|46-147|94, dated the 22nd January 1947 addressed to your good self in connection with the procedure for weighing and appraising the silk and art silk piecegoods and yarn followed by the Customs Department in the Prince's as also in the Victoria Docks. The Association have complained therein that as a result of the silk and art silk piecegoods and yarn being weighed and passed in the general shed and in the general examining hall, the consignees have been put to inconvenience as also financial loss, as such goods bear a high price and as such they are likely to deteriorate in value due to rough handling to the great detriment of the consignees concerned. As mentioned in their communication, facilities were given to such consignments in the form of a separate shed and special examiners and appraisers in the pre-war times. My Committee have examined the subject-matter of the complaint regarding the procedure followed as at present with regard to weighment, etc. of such goods in the docks and suggest that the facilities as desired by the Association may be restored to the merchants concerned, as thereby delays experienced by the trade in getting the consignments cleared would be avoided as also the rough handling to which the goods are likely to be subjected in the common examining hall could also be eliminated.

APPENDIX 4

Storage Facilities for Cotton

Letter No. 212, dated 18th January 1947, from Chamber to the Secretary, Bombay Port Trust, Bombay.

I am directed to address your Board on the question of storage of cotton in Jathas, and the consequent danger arising

out of such storage of cotton in kutcha-built structures, which are subject to fires resulting in considerable loss and damage to the parties concerned. As you are aware, owing to serious shortage of godown facilities in the city during the war years, and particularly since 1943, it has become the practice of storing cotton under kutcha-built structures in Jathas all the year round. Previously cotton was stored in such Jathas only in the busy seasons when arrivals were more than could be accommodated in the pucca-built godowns. It will be observed from the conditions prevailing at present that in addition to the storage of cotton in the pucca-built cotton, such storage is being resorted to under the kutcha-built Jathas also all the year round. The difficulty has, however, arisen by the very nature of the commodity, which is highly inflammable and subject to fires unless well protected. Obviously, in no sense can the kutcha-built structures comprising of bamboos and tarpaulins be considered as any protection from fire for the cotton stored therein. My Committee have received complaints in regard to loss and damage resulting from such storage from the Bombay Fire Insurance Association as also from cotton merchants who are vitally interested in better storage facilities for their goods. As has been pointed out by the Bombay Fire Insurance Association themselves in their communication dated the 11th November 1946 addressed to your Board, the erection of these temporary Jathas in a group would be responsible for creating conditions in which if a fire was started, it would be difficult to stop such conflagration till the whole line of Jathas taking fire had been destroyed. My Committee have examined the question of storage of cotton in open or covered Jathas and the danger of fire resulting therefrom, and have come to the conclusion that, if the public and the trade are to be safeguarded from such heavy recurring losses due to fires in Jathas, the Bombay Port Trust should take upon themselves to increase the present godown facilities by building additional sprinklered godowns of fire-resisting construction.

It is hoped that your Board will be pleased to give their earnest consideratioin to this question of storage of cotton and immediately start a building programme for erection of pucca-built sprinklered godowns for storage of cotton.

Endorsement No. 2955, dated 28th March 1947, from the Bombay Port Trust to Chamber.

With reference to your letter dated November 11th, 1946, and your reminder dated March 27th, 1947, regarding storage facilities for cotton, I am directed to state that the storage position in regard to cotton has been very carefully examined. At present 16 of the godowns at the Cotton Depot, which were

intended for the storage of cotton and which have special facilities for dealing with fires, are occupied by the Government of Bombay for storage of grain. The Bombay Government were requested last February to vacate these 16 godowns and in their letter dated March 24th, 1947, they have given an assurance that they will release the 16 cotton godowns at present occupied by them as soon as they acquire The Royal Navy Victualling Depot for which they are negotiating with the Navy. If these 16 godowns are released, the storage position so far as cotton is concerned will improve considerably. The difficulties of securing building materials still continue and it is difficult for the Port Trust to undertake the construction of more sprinklered godowns at present. If the demand for accommodation for storage of cotton continues, the Administration will, of course, consider the question.

In regard to the question of improving the water supply to the Sewree Depot, I am directed to state that the Chief Engineer of the Port Trust is examining the position. A further reply will be sent to you as soon as possible.

APPENDIX 5

Occupation of the Rest Shed at Cotton Depot

Letter No. 1104, dated 30th April 1947, from Chamber to The Secretary, Bombay Port Trust, Bombay.

The attention of my Committee has been drawn to a circular notice dated 2nd April issued by the Land Manager inviting tenders for the occupation and use of the rest shed at the Northern junction of Boundary Road and First Street at Cotton Depot. This shed, it appears, was constructed by the East India Cotton Association as a rest shed for labour during the period when the Trading Hall of the Association at the Cotton Green Building was occupied by the Military. In this connection my Committee have seen a copy of the communication dated 14th April addressed by the East India Cotton Association to the Chairman of the Bombay Port Trust, pointing out that the shed was intended for the use of labour employed at the Cotton Depot and that this amenity should not be discontinued and that the shed should not be given for any other purpose. Moreover, in the opinion of the Association, the shed is also not suitable for the storage of cotton. My Committee support the above contentions of the Association and urge that the Port Trust should give up their idea of letting out this shed for purposes of storage of cotton or any other use.

In this connection, it will not be out of place to refer to the correspondence that has passed between my Committee and the Port Trust on the question of the policy governing the lease of Port Trust lands. My Committee had suggested that the rates for the Port Trust lands should, as a matter of general practice, be fixed on a fair basis by an expert valuer and that plots should not normally be sold by public auction. The Trustees in their reply No. 1421 of 14th February had assured that each case would be considered by the Board on its merit, that a special officer had been placed on duty to revise the schedule of rates in different areas, and when the said rates, which would be determined with reference to the market value, were approved by the Trustees, it would be possible for dispensing with auctioning in many cases. My Committee, therefore, expected that in future Port Trust would normally let out plots on the basis of rates fixed on the recommendation of the expert valuer and that the system of auctioning by inviting tenders would be resorted to only in exceptional circumstances. The proposal to invite tenders for the rest shed above referred to is not quite in keeping with the procedure outlined during the course of the above correspondence.

My Committee request that the Board of the Port Trust will be pleased to give their above suggestions their early consideration and to abandon the proposals for letting the rest shed and for inviting tenders for that purpose.

Letter No. A5020, dated 26th May 1947, from the Bombay Port Trust to Chamber.

I am directed to refer to your letter No. 1104 dated the 30th April 1947 on the above subject, and to say that your letter was placed before the Board of Trustees at its last meeting.

In view of the acute shortage of godown accommodation the Trustees, after careful consideration, have decided to let the rest shed for the purpose of the storage of cotton temporarily.

The question of allocating the rest shed for the use of labourers will be reconsidered when the demand for godowns eases.

In regard to the question of inviting tenders, I am to point out that the work of the Special Officer appointed by the Trustees for revising the schedule of rates in different areas has not yet been completed. In the circumstances, the resort to auctioning or inviting tenders is still necessary.

It is, however, not the intention of the Trustees to apply this policy to the permanent godown and jathas at the Cotton

Depot and tenders have been invited only in this particular instance, so far as the Cotton Depot is involved.

APPENDIX 6

Sheds in the Grain Depot

Letter No. 2722, dated 6th October 1947, from Chamber to the Secretary, Bombay Port Trust, Bombay.

Trade interests have represented to my Committee that they are experiencing difficulties in getting storage accommodation in the sheds in the Grain Depot. These sheds were primarily intended as a facility for the import-export trade. During the war, some of the sheds were requisitioned. It appears that the process of derequisitioning is at present progressing. My Committee hope that the Port Trust are adhering to the accepted policy of offering these derequisitioned sheds to the original lessees or tenants.

In this connection, it has been pointed out that a number of the godowns in the sheds are of a fairly large size and those who take them have surplus of accommodation and sometimes they sublet the same. The Port Trust should examine the feasibility of the godowns being split up into units of smaller size so that a larger number of exporting and importing interests may be assisted in being provided with the necessary storage facility. In this connection my Committee understand that under the existing Rules and Procedure, the Port Trust let out accommodation of a minimum area of 17 galas. In order that larger number of parties could be provided with storage facilities, this minimum should not be enforced and accommodation in smaller areas may be provided. The Port Trust, as a matter of general policy, should also see to it that the godowns in the sheds are allotted mainly for interests who are directly engaged in the import-export trade.

APPENDIX 7

Congestion in the Docks Transit Sheds

Letter No. 1314, dated 14th May 1947, from Chamber to the Bombay Port Trust.

I am directed to invite a reference to the correspondence ending with your letter No. 2529, dated the 4th April 1946 on the above subject. My Committee had, in their letter of the 23rd March 1946, drawn your attention to the difficulties experienced by consignees as a result of the unsatisfactory

arrangement for the storage of goods. In reply they were assured that every endeavour was being made to expedite the clearance of such cosignments and that as a special facility for the trade, Enquiry Officers had been placed at each Dock to assist the consignees to trace the whereabouts of their consignments.

My Committee are, however, continuing to receive similar complaints about the difficulty in tracing consignments in the docks. It appears that goods from a number of steamers are discharged simultaneously and the consignments kept mixed up with the result that the consignees are not able to trace the whereabouts of their particular consignments in time. It sometimes also happens that consequently the consignees are obliged to pay extra Dock Charges although the delay in the clearance of the goods within the free period was due to circumstances entirely beyond their control. My Committee feel that the position should be reviewed and proper arrangements made for stacking goods unloaded from different steamers in different areas, so as to minimise chances of mix-ups of the above character and complaints resulting therefrom.

At the moment, my Committee have before them a specific complaint from Messrs. Sarabhai & Co., in respect of a case of Flashlights discharged per s.s. " Aalsum ". It appears that on that occasion, as many as five steamers discharged cargo in the docks and the cargo from each steamer was not kept separately. Consequently the consignees were not able to trace the case in question with the result that they had to pay extra fees amounting to Rs. 37-15-0 (Receipt No. 179, dated 31st March 1947). The company has already addressed the Manager of the Bombay Port Trust Docks claiming refund of the above extra payment as the delay in the clearance of the goods was, according to them, caused by lack of proper arrangements for landing and stacking of goods in the docks. I have also to request you to kindly look into this specific complaint and see that, in the special circumstances, if their claim for refund is not justified.

Letter No. A|DT-TA|6147, dated 10th July 1947, from the Bombay Port Trust to Chamber.

With reference to your letter No. 1314 dated 14th May 1947 regarding the arrangements for the storage of cargo in the Docks and the difficulties experienced by consignees in tracing their consignments, I am directed to forward herewith a copy of the Port Trust Docks Manager's report in the matter.

It will be seen that the Docks Manager makes certain proposals for the levy of deterrent import charges, with a view to relieving the present abnormal congestion in the Sheds.

The Chairman proposes to place the matter before the Trustees for their consideration. Before doing so he would be glad to be favoured with the views of your Chamber on the Docks Manager's proposals.

DOCKS MANAGER'S REPORT

The difficulty experienced by merchants in this port in tracing their consignments in the transit sheds is fully appreciated. This difficulty is caused by abnormal congestion in the transit sheds which is occasioned by the reluctance of consignees to take delivery of their consignments. This has resulted in all space in this Department's Warehouses and Uncleared Warehouses being fully occupied so that congestion in the transit shed cannot be relieved, as is normally the case, by removal to an Uncleared Warehouse. In some cases therefore there may be cargo from as many as nine steamers lying in a transit shed.

The underlying reasons for the abnormal state of affairs are as follows :—

(1) Large-scale dumping of American consumer goods, particularly glassware, nylon and silk parachutes and plastics. This has caused a large drop in prices and a consequent saturation of the market.

(2) Lack of godown accommodation in Bombay.

(3) Inability of the railways to handle the traffic offered.

(4) Closing of certain markets owing to communal troubles.

It is difficult to suggest immediate remedies. I have during the past six months trebled the uncleared warehouse accommodation and there will be no further buildings available until the new uncleared warehouse sanctioned by the Trustees is built. The only other remedy which I can suggest is to impose deterrent charges on importers who use the transit sheds as storage space for their cargo instead of taking delivery. It is therefore suggested that the free days allowed for import cargo should be reduced from six to five as was the case upto 1938. That after the expiry of the free days cargo should be allowed six single extra fees instead of twelve as at present and thereafter double extra fees should be levied.

Letter No. 2234, dated 21st August 1947, from Chamber to the Secretary, Bombay Port Trust, Bombay.

I am directed to refer to your letter No. A|DT-TA|6147 of the 10th July on the above subject forwarding a copy of the report submitted by the Port Trust Docks Manager, making certain proposals to meet the situation arising out of the congestion in the Dock Transit Sheds.

After tracing the circumstances which have contributed to the present position, the Docks Manager almost confesses that he is not in a position " to suggest immediate remedies ". He also indicates that a permanent and long-term solution of the problem will be possible only by increasing the warehouse accommodation available in the docks. Obviously the completion of the new uncleared warehouses sanctioned by the Trust will take some time.

The Docks Manager, however, makes a proposal for the levy of deterrent charges on importers whose goods remain uncleared beyond the free period, the implication being that the stress of these charges will make the importers clear the goods somehow within the free period. Such an assumption ignores the realities of the situation. The Docks Manager himself has in his analysis of the contributing factors mentioned that the existing congestion was due to, among other things, large-scale import of consumer goods recently, to the lack of adequate godown accommodation in Bombay, to the inability of railways to handle the traffic offered and to the closing of certain markets owing to troubles. A solution of the problem should be sought by dealing with the above factors. By imposing heavy extra charges, it cannot be claimed that the position created by lack of godown accommodation would be solved; similarly such a charge will also not lead to the railways handling the traffic more expeditiously. The congestion has been caused due to circumstances beyond the control of individual importers. It is, therefore, futile to expect that the position would be easened by penalising importers by the levy of deterrent charges for goods not cleared within the free period. My Committee are, therefore, opposed to the proposals in the report for reducing the free period from six to five days, the single extra fees period from 12 to 6 and for levying double extra fees thereafter.

It will not be out of place, in this connection, to mention that the present position may, to some extent, be deemed to be abnormal. There has been large-scale imports during the recent months. Such imports were facilitated by the changes in the Import Trade Control Policy of the Government of India early in the year. The position, however, has since

changed. Government have revised their Import Trade Control Policy and have tightened the control so that the scope for abnormal imports hereafter is automatically checked. It is felt that after the supplies in respect of orders already placed before the coming into force of the revised control have all been received and landed, there would be an automatic constriction in the volume of goods imported during the coming months. If at all, the present state of affairs is not likely to continue beyond the next three or four months.

In the above view of the case, my Committee feel that the Port Trust authorities should not, at this stage, adopt the proposals for the imposition of extra charges on the lines recommended by the Docks Manager. For the present, they should assist the trade by increasing the warehousing accommodation as far as possible. The Port Trust should also concentrate on expediting the construction of new uncleared warehouses for which necessary sanction has already been made.

APPENDIX 8

Direct Booking of Vegetable Oil Tank Wagons to Grain Depot Sheds of the B.P.T. Railway

Letter No. 941, dated 17th April 1947, from Chamber to the Bombay Port Trust Railway.

I am desired by the Committee of the Chamber to address you in connection with the question of permission and facilities for allowing booking of tank wagons containing vegetable oils to the Grain Depot sheds of the B. P. T. Railway. According to the information placed before my Committee, it appears that the tank wagons are not allowed to be consigned to the above sheds. Whatever might have been the reason for the restriction in the past, in the altered circumstances now obtaining booking requires to be opened or allowed. You must, no doubt, be aware of the fact that the Government of India have laid it down as a matter of general policy that as far as possible the country should export oil in preference to oilseeds, they have also recently announced the quota of exports of oil that would be allowed in the coming year. It is, therefore, obvious that there would be a demand for facilities for direct booking of tank wagons containing vegetable oils for the sheds in the Grain Depot of your railway. In the absence of such facility, the trade interests concerned would be put to serious difficulties in having first to get the oil to other sidings and then to arrange for the necessary haulage to the Depot. It is necessary to eliminate the duplication of the effort and cost involved in

this process; and my Committee support the case for the acceptance of booking of tank wagons to the sheds in question.

You will be good enough to give this matter your early attention.

Letter No. D.E|3, dated 23rd April 1947, from the Bombay Port Trust Railway to Chamber.

The question of the storage of vegetable oils in the sheds at Grain Depot is at present being examined by the Land Manager and myself and if and when this is agreed to, then there will be no objection to tank wagons of vegetable oils being booked to this Depot.

APPENDIX 9

Oil Storage Facilities at the Docks

Letter No. 1096, dated 29th April 1947, from Chamber to the Bombay Port Trust.

I am directed by the Committee of the Indian Merchants' Chamber to address the Bombay Port Trust in connection with the question of facilities for the storage of vegetable oils at the docks. The Trustees must, no doubt, be aware of the recent change in policy accepted by the Government of India in the matter of exports of oilseeds and edible oils. Government naturally are anxious that in future, as far as possible, these exports should preferably be in the form of oil and exports in the form of seeds should be restricted to the minimum. Obviously, therefore, in future there would be large movement of oil into the docks preliminary to their subsequent export. In order to facilitate the handling of supplies of oil meant for export, there should be some adequate arrangements in the docks for storing the same. It has been pointed out to my Committee that the process would be very much facilitated if the Port Trust installed tanks at the docks for the storage of vegetable oils. Under such an arrangement oil could directly be removed from the tanks to steamers carrying them to their destination. Further, many of the difficulties experienced by exporters in the handling of oil for export would also be obviated. The practice of exporting oil in barrels and the consequent loss resulting from damage to barrels in transit will all be eliminated. In view of the prospects of expanding our export trade in vegetable oils it is very essential that the Port Trust authorities should give this question of providing the necessary tank facilities in the docks their early attention.

My Committee request that the Board of the Port Trust will be good enough to give this matter their early attention

and arrange for the installation of tanks for storing vegetable oils in the docks.

An early reply is requested.

Letter No. 1096, dated 26th May 1947, from the Bombay Port Trust to Chamber.

With reference to your letter No. 1096 of the 29th April 1947 on the above subject, I am directed to state that a similar question recently came up for consideration before this Administration in connection with the export of groundnut oil in bulk from this port. After careful investigation the conclusions were reached that the stage had not yet arrived when the Port Trust could make any definite plans for installing tanks in the docks for the bulk storage of oil for the following reasons:

1. The Shipping Companies might be prepared to take a certain quantity of oil in their ballast tanks, but they were unlikely to agree to do so unless facilities for discharge and storage in bulk are provided at the other end.

2. The Oil Mills in Bombay would probably prefer to have storage tanks within their own factories, since differences in the quality of the oil would create complications if storage tanks are provided by the Port Trust for all the companies jointly.

3. In regard to oil crushed outside Bombay and brought for export, it may be desirable to have storage tanks at some convenient place outside the docks, say, at Hay Bunder or elsewhere.

I am to observe that the above considerations apply generally to the storage of all vegetable oils in the docks.

It will be appreciated that no form of bulk storage can be planned unless the following particulars are available:—

1. The varieties of oils to be stored;
2. the peak figures of storage expected, and
3. the quantities to be exported in any one ship.

I am, therefore, to request that you will kindly furnish this office with information on the above points to enable the matter to be examined further.

This office may also be informed whether the Shipping Companies and Railways are prepared to provide the necessary facilities for conveying oil in bulk on ships and in wagons. Unless such facilities are available the construction of storage tanks in the docks would by itself serve no useful purpose.

I am to add that on hearing from you the matter will be further investigated.

APPENDIX 10

Exports to Kathiawar

Letter No. 232, dated 20th January 1947, from Chamber to the Department of Commerce, Government of India.

I am directed to acknowledge the receipt of your letter No. 91-CW(7)| 46 dated the 29th November 1946. My Committee have since received further complaints from interests having trade connections with Kathiawar that lately there has been a further set-back in the position so far as exports to Kathiawar are concerned and that perhaps due to a misunderstanding or lack of sufficient co-ordination between the different Departments, the Export Control authorities here are not now giving licences for export of goods coming under control to Kathiawar. My Committee would, in the first place, like to know if there has been any recent change in policy, and if so, the considerations which weighed with Government necessitating such a change.

2. They would, in this connection, like to stress again the fact that movement in most of the goods under control for destinations in Kathiawar are allowed by rail. If the object of the existing restriction on export was the conservation of supplies for British Indian purposes, there cannot be any justification for the existing distinction as between movements by railways and movements by sea either in boats or in countrycrafts.

3. It has been suggested to my Committee that the Export Control to Kathiawar ports by sea is enforced strictly because of the possibilities of unauthorized diversion of supplies to other countries. My Committee can appreciate the anxiety of Government to prevent any such questionable practice. That object could, however, be achieved by enforcing a strict system of bond under which those concerned guarantee the delivery of the goods at the places of destination. Severe penalties can be attached to any attempts at evasion of this obligation so that the permitted goods reach the places for which they are consigned.

4. Apart from the serious dislocation in trade and the difficulties caused to the consuming interests in Kathiawar, the present unsatisfactory position is causing hardships to the countrycrafts trade and to the services dependent on that trade for their normal avocations. My Committee, therefore, feel that Government should review the position and arrange to allow exports to Kathiawar ports by the sea

route more freely, subject of course to such check as would ensure that that avenue is not used for diverting supplies in any unauthorized manner.

Letter No. 91-CW(7)|46, dated 3rd March 1947, from the Department of Commerce, Government of India, to Chamber.

With reference to your letter No. 232, dated 20th January 1947, on the above subject, I am directed to say that there has been no recent change towards tightening the control on exports to Kathiawar States. As stated in this Department letter No. 91-CW(7)|46 dated the 29th November 1946, except for a few specified commodities, export of which is restricted on the basis of 1941-42, export of all commodities mentioned in Part D of the Schedule annexed to this Department Notification No. 91-CW(1)|45, dated the 3rd November 1946 is allowed freely to the Kathiawar States. This Department would be glad to have information regarding the cases in which export licences have been refused, referred to in para 1 of your reply.

As the number of commodities in respect of which export control is imposed strictly is very small, Government do not consider it necessary to introduce any system of bonds. They have the position constantly under examination with a view to relaxation of the control measures as and when the supply position renders it possible.

Letter No. 955, dated 18th April 1947, from Chamber to the Export Trade Controller.

The Committee had occasion recently to address the Government of India, Commerce Department, in connection with complaints about difficulties in securing licences for export of goods to Kathiawar. The Government of India in their reply No. 91-CW(7)|46, dated 3rd March pointed out that " except for a few specified commodities, export of which is restricted on the basis of 1941-42, export of all commodities mentioned in Part D of the Schedule annexed to this Department Notification No. 91-CW(1)|45, dated the 3rd November 1946 is allowed freely to the Kathiawar States. This Department would be glad to have information regarding the cases in which export licences have been refused . . .".

Subsequent to the above correspondence, my Committee have received a complaint about difficulties experienced in getting export licences for export of old newspapers imported from abroad to centres in Kathiawar. According to the information placed before them, supplies of these papers are adequate and in fact, the demand for old newspapers in the

City and the Presidency has slackened. Moreover old newspapers are allowed to be moved to centres in Kathiawar by rail. In view of the restricted booking facilities available at the moment over the railways, the interests concerned are not able to send consignments of paper by rail.

I am desired to request you to kindly look into the matter and consider and grant export licences for export of old newspapers more freely.

Please let me hear from you in reply at your early convenience.

Letter No. 3236, dated 28th November 1947, from Chamber to the Export Trade Controller.

I am desired by my Committee to address you in connection with the difficulties experienced by Messrs. National Industrial Works in securing licences for exports of their manufactures to ports in Kathiawar. Messrs. National Industrial Works are manufacturers of buildings' fitting articles essential for all builders and constructional works and they have developed markets all over India. During the exigencies of the war they were able to send their goods to places in Kathiawar either by the Railway or by Boats or country-crafts as the case may be according to facilities available at a particular time; and during the year 1944-45 they had shipped their goods to Kathiawar on the basis of quotas fixed on the strength of shipments in the past years. Since the last two years, however, they have been experiencing difficulties in getting facilities for exporting their goods to Kathiawar. They had, therefore, to a large extent, to depend on the facilities afforded by the Railways. Under the new priority list, however, movement of the products manufactured by their concern have been accorded low priority with the result that they are finding it increasingly difficult to obtain booking for their goods for stations in Kathiawar.

My Committee, in this connection, would like to point out that the lack of transport facilities results in jeopardising the manufacturing activities of the above concern apart from the fact that the consuming interests in Kathiawar are subjected to difficulties. Government have, often in the past, given assurances of even helping newly started small industries and my Committee feel that there is all the more reason why the above concern which is established since a number of years and is catering to the requirements of wide number of consumers' interests in Kathiawar should be enabled to ship their goods to Kathiawar to an increasing extent. At present they are interested in sending their products to towns like Porbandar, Jamnagar, Morvi, Rajkot and Bhavnagar.

My Committee, therefore, request you to kindly look into the matter and consider the case of the above concern for being granted increasing facilities for shipping their goods to Kathiawar ports.

APPENDIX 11

Free Days allowed to Consignees

Letter No. 2868 dated 18th October 1947, from Chamber to the Bombay Port Trust

The attention of my Committee has been drawn to the difficulties experienced by importers not being enabled to enjoy the facility of the full period of "free days" allowed under the Rules governing Storage Charges on Goods in Docks and Transit Sheds and Yards because of the prevailing conditions of congestion in the docks. It is provided that the general landing date will be counted as one of the "free days". My Committee, however, understand that it, not infrequently, happens that a good part of the cargo is discharged long after the general landing date for a particular vessel's cargo. Under the circumstances, owners or consignees concerned do not get the full advantage of the free period. Moreover, the existing conditions of congestion in the docks have added to the confusion and consignees are not in a position to locate immediately the goods with which they are concerned. In the result, the free period is more or less lost to them and they are obliged to pay the extra charges prescribed under the Rules.

In order to eliminate chances of hardship resulting from the above position, my Committee suggest that the free period should be counted from the date on which the entire cargo in a vessel is discharged. Under such a procedure, the existing position of consignees of cargoes, discharged after the general landing date, not enjoying the full period of free days will not present practical difficulties of the kind referred to above. My Committee hope that the Port Trust Authorities will be good enough to examine the above grievance and make such practical adjustments in the Rules as would eliminate the same.

Letter No. A|DT-TA|8832, dated 7th November 1947, from the Bombay Port Trust to Chamber.

I am directed to refer to your letter No. 2868, dated 18th October 1947 on the above subject and to point out that the landing date rules permit an extension of the free period, in cases when entire consignments have been landed subsequent to the general landing date and, when delivery has

been applied for on completed documents, for portions of consignments which may have been landed subsequent to the expiry of the free period.

It will thus be seen that owners or consignees of goods are in a position to obtain full advantage of the free period. The Chairman, therefore, regrets that he cannot recommend any modification of the landing date rules.

I am also to point out that the congestion in the docks to which you refer is not extensive, and, where it exists, it is largely due to importers, for various reasons, not clearing their goods within a reasonable time and not because the goods cannot be traced within the free period after landing.

APPENDIX 12

Interview with the Hon'ble Dr. John Matthai, Member for Transport and Railways, Government of India, on Tuesday, the 10th June 1947

Speech of Mr. Ratilal M. Gandhi, M.L.C., President, Indian Merchants' Chamber, at the interview with the Honourable Dr. John Matthai, Member for Transport and Railways, Government of India, on Tuesday, the 10th June 1947 at 3 p.m.

Dr. John Matthai :

I have great pleasure in extending to you, on behalf of the Committee of the Indian Merchants' Chamber, a cordial welcome. I recall with pleasure your active and close association with the commercial interests generally and with this Chamber in particular. In fact, you were, Sir, for some time a member of this Committee. This past direct association with Indian commerce has placed you in a position of advantage, in that you are in a position to appreciate and understand the points of view, sentiments and expectations of the commercial interests in matters concerning the transport policy and the financial management of the Railways of the country.

As you observed in your opening remarks while introducing the Railway Budget this year, this is a unique occasion in the history of the Indian Railways as a whole, because the management and control of this national asset, in which over Rs. 830 crores of the country's wealth is sunk, have, in the process of the political evolution, passed on to the hands of a Government reflecting the political opinions of the country. We are, indeed, aware that the process of transformation has yet to be established and that the fruits of a re-orientation in policy resulting from this change-over can naturally be expected to be realised only after we have a clearer concep-

tion of the further and immediate stages of our political transition.

Re-Orientation in Transport Policy

As critics of the Railway Administration, we have often in the past made suggestions for a radical change in the policy of the railways towards recognition of the true position occupied by them in the economic and social life of the country. There is, perhaps, no other department or agency in a country of such vast distances like India, which has within its scope, possibilities of rendering service which far transcends in its ultimate reactions on our economic life than the mere facilities for transport of goods and passengers. We realise that due to pressing preoccupations in other directions and the unsettled political atmosphere, the new Government have not had the necessary opportunity to evolve a comprehensive and integrated transport policy which would render the railway services a real instrument of progress, subserving the larger economic needs of the country. A break with the past, besides involving some time, calls for a clearer vision of the future. If we, therefore, recapitulate some of our main complaints against the Railway Administration in the past, it is not so much with a view to criticise the present administration as to indicate to you the directions in which reforms and changes are long overdue.

The main complaints about the past policy and practice were that the railways were very often being used as a vehicle of taxation for buttressing the budgetary requirements of the Central Government, that the rating policy of the Railways was not correlated to the general economic policy of the country, that the working of the Indian Railways lacked something of the real commercial spirit and the administrations were not closely and actively in touch with trade, commerce and industry, that the railways were generally more anxious to foster the export of raw materials by low rates to the ports and imports of finished products by similar facilities between ports and consuming centres, that the needs of the internal trade and indigenous industries for cheap and adequate facilities for movement did not receive equal attention, that the railways mainly relied on external sources for their supply of equipment, locomotives, coaches and wagons instead of trying to encourage and bring about indigenous production in all these spheres, that the Stores Purchase Policy also showed a similar bias for imported supplies with the result that no studied efforts were made to make the country self-sufficient in regard to requirements of stores, that the railways, as purveyors of transport, had not developed sufficient sense of salesmanship in establishing the

necessary contacts with the users and understand and meet their needs and requirements and that there was no effort to avoid duplication of expenditure or eliminate wasteful expenditure by a scientific scheme of co-ordination and amalgamation of railway management. We realise that till recently many of the railways were under the management of distinct companies and all of them operated as different entities. Each such company, perhaps, had its own interests and predilictions with the result that a co-ordinated policy for the system as a whole could not be easily enforced. Fortunately, the position has changed and it is now possible to chalk out plans and proposals which could be made applicable for the entire system as a single unit.

Reform of the Rating Structure

There has been a persistent demand for a re-orientation in railway rating policy. As I mentioned earlier, Government have often resorted to the facile expedient of making railway rates and fares a source of additional revenue for their budgetary requirement. During the last ten years, the railways have contributed more than Rs. 170 crores towards General Revenues. The surcharge on rates and fares which were introduced as a war-time measure, has now more or less been converted into a permanent levy. More than that, even at the slightest indication of a recession in revenue, a further increase was made this year. This has been a matter of great disappointment. We note that the whole problem of a revision of the rating structure and the policy governing the same, is at present being looked into at an expert level. While we have no desire to enter into a discussion on the scientific aspects of the principles which determine the method of charging railway rates, we would only reiterate that the anomalies to which we have referred to under the existing system, under which internal trade is not receiving sufficient encouragement, and the needs of the indigenous industries for quick and cheap transport facilities are not being attended to, should be removed. We would here also like to urge the desirability of establishing, at an early date, an independent Railway Rates Tribunal. It may be recalled that the Acworth Committee recommended the appointment of such a body and suggested that the jurisdiction of the Tribunal should embrace all questions of the reasonableness of rates even within the existing maxima and minima. The expedient of the Railway Rates Advisory Committee which discharge only minimum functions relating to complaints of undue preference, complaints that the rates were unreasonable, and complaints regarding disputes of a minor character between the users and the administration, has not inspired

sufficient confidence and along with proposals for a revision of the rate structure as a result of the present investigations, the appointment of a Statutory Rating authority, similar to the Railway Rates Tribunal in the U.K. may well be considered.

Management of Railways

Although the Railways in this country are now a completely State-undertaking, being essentially a commercial enterprise and activity, they should be run and managed on commercial principles. It is, therefore, necessary to consider whether the present arrangements and organisation regarding the control and management of the Railways should not give place to a system under which men of experience, drawn from commerce and industry, will play an active part at a high level in the conduct of the affairs of the railways. Suggestions for the association of businessmen in Railway administration have been made in the past on various occasions. The experiment in other countries of entrusting the State-owned public utilities to *ad hoc* Corporations or Boards is understood to have achieved a good measure of success. We would like you to look into this broader aspect of the problem of Railway Management in the future. We will only emphasise at this stage that a measure of reform which will ensure the association of front rank businessmen in the organisational and management side of the railways of the country so as to supply the much needed business outlook in running this essential commercial service, is indicated; the form and nature of a scheme for the purpose and the details connected therewith should be gone into at an expert level.

Until such time as a well thought out scheme for the association of commercial experts in the management of railways is evolved, we suggest that the existing machinery of the Advisory Committees at the different centres may be used in a more active and practical manner. At present the Advisory Committees are assigned very restricted functions. Problems relating to rates and freights are generally considered to be outside their purview. Meetings of the Advisory Committees are also held at very long intervals. As an interim measure we suggest that the powers of the Advisory Committees be enlarged, and even if their functions are continued to be advisory, they may be authorised to consider, make recommendations and interest themselves actively in all matters concerning the management of the railways. Advisory Committees should, in short, exercise a general measure of control and supervision over the different railway administrations and they should cease to be a mere ornamental deliberative body. In particular, they should have

full freedom to look into matters connected with the rates and freights policy. You will be good enough to give your thought to this question of the immediate enlargement of the scope and functions of the Advisory Committees.

Railway Finances

Certain recent trends in the position of the finances of the railways are indeed disquieting. In particular, the movements of traffic earnings and working expenses do not show a correlation. During the war, receipts from traffic set up a record, and as was possibly to be expected, with the termination of hostilities, the railway revenues have begun to decline. The gross traffic receipts in the quinquennium 1935-40 averaged just over Rs. 102.17 crores. In the war period it gradually rose and reached the peak level of over Rs. 225 crores in 1945-46. There has since been a set-back and in the year 1947-48 traffic receipts are estimated at Rs. 193 crores. Taking the 1935-40 figures as the base, the traffic receipts in the peak period 1945-46 were up by 221 per cent and in 1947-48 (estimates) by 189 per cent. On the other hand, the working expenses in the base period were Rs. 70.8 crores, in 1945-46, Rs. 164.5 crores and in 1947-48 (estimates) 152.37 crores. In terms of percentage, the working expenses in the peak period of 1945-46 were up by 232 per cent and in 1947-48 (estimates) 215 per cent. The general conclusion drawn from the above movement of figures of receipts and expenses is that the increase in expenditure continues to remain higher than that of earnings. This will, no doubt, give cause for some concern because, with the further decline in receipts, the incidence of the expenditure will be felt all the greater. Even at the slightest indication of prospective deficit this year, the administration was not slow to suggest that the gap should be made up by a further increase in the rates. There is a limit to these successive increases and we would earnestly request Government to consider possibilities of reduction in working expenses.

At the same time, we realise that as a result of the recommendations of the Pay Commission and the recent reliefs granted to the employees of the railways, the expenses on administrative machinery will certainly be higher in the coming years. The other main items are the expenses by way of interest charges and the contribution paid by railways to the General Revenues. Possibilities of taking a more complete advantage of the existing low interest rates to reduce the pressure of interest charges on railways, may well be gone into. According to the Budget estimates for 1947-48, the interest charges for the current year are expected to amount to Rs. 26.58 crores. Similarly, the basis of calculating the

contribution to the General Revenues needs revision so as to make it in keeping with the prospective altered situation of railway finances. We note that this aspect of the problem is at present under consideration.

Another possible direction of economy in working and administrative expenses of the railways is the implementation of a well thought out scheme of amalgamation of railway administrations. All the railways are now owned by the State and instead of retaining the present divisions and groupings based on the old arrangements under the company regime, if the Railways as a whole could be grouped into two or three distinct zones for administrative purposes, there would certainly be a reduction in administrative expenditure and overhead charges. For purposes of illustration, we would cite the example of the continuance of the two groups of organisations in Bombay connected with the G.I.P. and the B.B. & C.I. Railways. Both the railways are under one ownership. The extra overhead charges in duplicating the same managerial arrangements at two ends are, *prima facie*, avoidable. Similarly, attempts may be made to amalgamate workshops belonging to the different administrations. It is significant to recall that the Inchape Committee, in their Report, recommended that "large economies could be effected by grouping the railways on the lines recently adopted in Great Britain . . . We consider the existing systems could well be amalgamated into, say, five groups". The Pope Committee also made similar recommendations regarding this aspect of the problem. This Committee particularly observed that "in Bombay, for example, the economies derivable from amalgamation of workshop resources, accounting staff, etc. between the G.I.P. and the B.B. & C.I. Railways are obvious. Somewhat similar circumstances exist in Calcutta area with respect to the East Indian and East Bengal Railways". When other heads of expenses are expanding, the possibility of effecting savings by such methods of rationalisation may well be investigated.

Transport Shortage

Having referred to some of these long-term questions involving the future policy of railway finances and management, we would now like to refer to the most pressing problem of immediate concern, viz: the acute position resulting from transport shortage. Frantic telegrams and messages have been sent to the Railway Board and the Railway Administrations calling their attention to the existing transport bottle-neck and urging steps to relieve the situation. During the period of the hostilities, the public generally put up with a good deal of inconvenience. There is naturally a limit to

public patience and with the end of the war, they were expecting more normal transport facilities over the railways. Instead, the position has grown from bad to worse and the existing situation, to put it mildly, is really exasperating. Goods booking continuously remains closed for long periods; restrictions on parcel booking, shutting out a large group of articles from the facility of transport by parcel trains, have not been lifted. We have received numerous complaints about the inconvenience caused to trade, commerce and industry by this set-back in movements. In the meanwhile, stocks are accumulating in port centres and centres of production. A large amount of commercial capital lies frozen as prospective buyers could be asked to pay for their purchase only after arrangements for transport and delivery are complete. In fact, there is a complete dislocation in the normal functioning of exchange of goods. The situation calls for energetic and immediate steps on the part of the higher authorities so that necessary measures to relieve the existing congestion and to make available more wagons and freer transport facilities, to secure orderly movement of goods may be planned and put into force without any further loss of time.

Referring to the overall supply position of wagons, you, Sir, explained in your Budget Speech early this year that during the period of the war, orders were placed *abroad* for 19,290 Broad Guage wagons and 19,135 broad and meter guage wagons were ordered from the indigenous wagon building industry and practically all these wagons were expected to be in service during the course of this year. In fact, comparing the availability of wagons with the pre-war position, you mentioned that the railways expected to have, before the end of this year, in service approximately 168,000 Broad Guage and 56,500 Meter Guage and general service wagons, as against 140,000 and 51,350 respectively in 1939. The above improvement in the supply position of wagons, however, is not reflected in the facilities available to the public in the matter of availability of wagons. On the other hand, the total number of wagons loaded from 1st April 1946 to 20th March 1947 over all the railways were 4,328,000 (Broad Guage) and 2,304,000 (Meter Guage) as against 4,600,000 (Broad Guage) and 2,680,000 (Meter Guage) in 1945-46, representing a percentage decrease of 5.93 and 14.2 respectively. Similarly, the tonnage lifted has also shown a recession of 9.58 per cent in Broad Guage and 16.8 per cent in Meter Guage. The conclusion is irresistible that notwithstanding the overall improvement in the supply position of wagons, movements have suffered a serious set-back. There is some hitch somewhere. The difficulties of unsatisfactory turn-round as a result of disturbed conditions in some parts

or inadequacy of locomotives are not a satisfactory explanation for this breakdown.

A system of railway priorities was introduced during the period of the war. The war having the public were reasonably expecting that the said system, which at no time was deemed to be working satisfactorily so far as the users were concerned, would also go. Instead, there have recently been drastic changes in the priority list as a result of which movement of goods of an essential character for sustaining the civil life of the country has received a lower rating priority. We have received many complaints against the changes introduced in the new priority list in Bombay from 15th April. Private movement of food articles and food products which, under the old list, was placed under class 2, has been shunted down to class 6. Many subsidiary articles of food like flour, pulses and items of kariana like Dana, Jira, Pepper, etc. are all placed under class 6. These are all essentials of daily life and their relegation to such a lower rate of priority of movement is, *prima facie*, unjustified.

We are mentioning the above items only to illustrate the general feeling that there does not seem to be any well defined policy which can be considered as rational in the framing of the classification in the priority list at present in force. Moreover, the chopping and changing of the priority list from time to time is also subject to grave objection. When only goods of class 1 or class 2 are moving, there is little hope for facilities for movement, within reasonable periods, for items in the other classes. It is our considered view that the system of priority movement has failed to achieve any specific purpose and that the users generally will have no regrets if the same were done away with.

Increased Passenger Facilities and Amenities

Similarly, detailing the progress of the restoration of the pre-war passenger railway facilities you were good enough to mention in your Budget Speech that a total of 1,046 train services covering a mileage of 67,000 had been restored or extended since the termination of the war and that the existing passenger train mileage represented 80 to 90 per cent of the pre-war services. You expected that with the return of 711 bogies and 46 four-wheeled carriages, still in use by the Defence Department, the passenger train services could be restored to pre-war level. We would like to know if the above coaches have since been returned. However, the conditions of railway travel for the lower class passengers particularly, obtaining even after the restoration of these facilities are still far from satisfactory. Most of the trains go overcrowded. Difficulties in getting tickets continue. The expla-

nation possibly is that there is a large increase in passenger traffic due to a variety of factors.

We note with satisfaction the programme for manufacture of locomotives in India for the building up of additional coaching stock and for improving the designs and conveniences in the carriages. We will only mention at this stage that the targets fixed in all these directions may not any longer meet the requirements of the situation and a concerted effort to speed up the programme is called for so that the present era of unsatisfactory and overcrowded travel conditions may not be unduly prolonged.

We would, in passing, refer to the issue of safety in railway trains. There have recently been reports about crimes occurring in railway trains. Intruders have boarded running trains and murdered passengers. This raises a serious problem. It is the duty of the railway administration to take every precaution for ensuring normal safety during railway travel. It has been suggested that, particularly in regard to Upper Classes, the defects in the locking and safety arrangements in the compartments facilitated such happenings. Repairs and attention to compartments are in an utter state of neglect and side by side with the question of improving travel facilities, steps necessary to secure conditions of greater safety during travel may also be attended to.

Railway Staff and Relations with the Public

The Railways are in the position of sellers of transport to the public and as such, to use a commercial parlance, the members of the public are the patrons of the railways. This essential commercial relationship has not been recognised generally by the members of the Railway staff. By and large, they are generally lacking in the qualities of salesmanship so necessary to establish more cordial and friendly relations between the railway authorities on the one hand and the users on the other. The Wedgewood Committee, in their recommendations in 1937 particularly stressed on this aspect of railway administration and referred to the shortcomings in the conduct of the railway staff especially those in minor positions of authority. There does not seem to be any material improvement in the position; complaints about incivility and dishonesty are rampant. The average railway official continues to be sullen and arrogant in his attitude towards passengers and the users of the railways. This is a chronic malady and in the interests of developing more healthy relations between the public and the administration, more stringent disciplinary regulations should be devised and enforced.

Revision of the Constitution of the Port Trust

We have till now referred to problems connected with railways. The Major Ports are also under your care and before we conclude, we would like to refer to the question of the revision of the constitution of the Port Trust. We are glad to note that the Government of India are considering proposals for the revision of the Port Trust Act so as to eliminate the difficulties that have been noticed in the working of the various Port Trusts. We will, in due course, take the opportunity of examining carefully Government's proposals when the draft Bill, embodying the details of the changes is ready. We would, however, like today to convey to you personally our views in regard to an important aspect which, obviously, will be an essential feature of the amending legislation. We are referring to a point about the composition and constitution of the Board of Management of the different Port Trusts. The main points of criticism in the past against the composition of the Port Trust Boards were that firstly, there was an undue weightage given to non-Indian commercial interests in the matter of representation on the Board, and that secondly, the Indian commercial interests were not adequately represented. This defect should be remedied. Referring more particularly to the Port Trust of Bombay, we may point out that the Board consists of 22 Trustees of which 13 are elected, 8 nominated, and a Chairman appointed by Government. The nominated complement generally consists of officials representing the Customs, the Railways, the Police, etc. *Pari passu* with the progress of Indianisation of Government services, the interests sought to be represented on the Board of the Port Trusts by the above officials will be increasingly represented by Indians. But all the same, we would like to stress that the nominated element should be reduced to the minimum. Our main demand, however, is that in the altered context of affairs, special representation to European commerce is an anachronism, and as such, in the future scheme of things, commerce should be represented on the Port Trust Board exclusively by Indian interests. We feel that there is no need for stressing the overwhelming reasons in favour of such a change in policy. Then again, even in the matter of representation for commerce, Government should, as a matter of general principle, discourage separate representation for specific branches of trade of a sectional character. The proper course would be to recognise the leading Indian Chamber of Commerce of the port as the main medium of representation and to leave it to that Chamber to make such internal adjustments and arrangements as may be necessary to ensure that all important branches of trade activities in the port are reflected in the

persons selected by that body for the purpose of representing it on the Board of the Port Trust. We do not want to trouble you, at this stage, with the details, but would request you to bear in mind the above fundamental aspects when formulating proposals for changing the composition and constitution of the Board of the Port Trusts.

We have presented a formidable list of grievances and suggestions. As this is our first meeting with a Transport Member representing the people of the land, and as the whole question of future transport policy is, sooner or later, likely to come up for review, we have thought it fit to cover a wider compass than is normally intended for such periodical meetings. We hope that you will be good enough to give these matters your earnest consideration and bring about conditions ushering in a new era in our railway policy and management.

Summary of the replies of the Honourable Dr. John Matthai, Member for Transport and Railways, Government of India, at the meeting with the Committee of the Chamber on 10th June 1947.

After thanking the President for the warm welcome extended to him and the Committee for the opportunity for an informal exchange of views, the Honourable Dr. John Matthai Member for Transport and Railways, Government of India, prefaced his observations by referring to the impending constitutional changes. The fluidity of the existing position in consequence of these changes, he pointed out, naturally placed certain limitations in regard to his views and observations on some of the issues raised by the President in his speech. For one thing, the country was yet to have a clearer picture of the place and position of railways in the new scheme of things; for another, it was conceivable that the composition of the Central Government might witness some measure of change as a result of reshuffling following constitutional developments. The formulation of long-range policies on the various problems relating to Railway administration and management would have to await stabilisation of the developments in the constitutional sphere. It was, therefore, necessary for him to make it clear that the views that he would be expressing, while referring to the points raised in the President's speech, should, at the moment, be deemed to be more or less his personal views and reactions.

Increase in Rates and Fares

Dr. John Matthai realised that the commercial community, as users of railway, would naturally feel disappointed

over the recent increases in rates and fares. He, however, pointed out that compared to the increase in the cost of the services in other spheres, the overall increase of 12½ per cent effected in the charges for railway transport since the commencement of the war was really small. The general level of prices in the country had gone up by about 160 per cent over the pre-war level. Charges for all services had increased. In the background of these general considerations, the modest increases effected by the railways in the rates and fares could not justifiably be deemed as unreasonable.

He further emphasized that it was very essential to safeguard the solvency of the railways undertaking, which was an important national asset in which over Rs. 800 crores of the country's wealth had been sunk. The railways, besides paying their way, should earn adequately to meet accepted obligations in respect of depreciation, maintenance of proper reserve, etc. Besides, as a result of various subsequent developments, expenditure in maintaining and running the railways was definitely going to show a substantial increase. As a result of the recommendations of the Pay Commission, the expenditure on administrative services was expected to go up by Rs. 25 crores per annum. The recent Award by Justice Rajadhyaksha in regard to certain claims of railway labour would involve a further expenditure of Rs. 6½ crores; as the Award was intended to have retrospective effect, there would be a further liability of another six crores to be met during the current year. The reforms suggested by the Coal Conciliation Board would result in the prices of coal going up, the railways being obliged to meet an increase of over Rs. 3 crores in their fuel cost. As a result of the recent examination into the question of adequacy of the existing basis of depreciation, an additional provision to the extent of Rs. 2½ crores would have to be made under this head. The cumulative result of all these would be an increase in expenditure to the extent of over Rs. 43 crores during the coming year. He realised the need for a thorough investigation into the possibilities of economy in expenditure and mentioned that this aspect of the problem was being now enquired into by a Special Committee. The matter would, no doubt, be gone into in the light of the suggestions and recommendations of that Committee.

Rates Structure

Dr. John Matthai was in agreement with the views expressed by the President in his observations regarding the need for reforming the existing rates structure of the railways. The problem was being gone into at the moment at an expert level. He also realised the necessity for establish-

ing a Rating authority with proper functions and adequate powers. The defects of the existing machinery mainly were that the procedure was dilatory, that the Railway Rates Committee had no statutory powers to compel evidence and that their recommendations, being purely of an advisory character, had no binding effect. The new body would have to be freed of all the above limitations. There was some similarity regarding the scope of work, powers and functions, etc. of a properly constituted Rating authority and of a permanent Tariff Board. Both the reforms should be simultaneously introduced and there should be an element of co-ordinated action between the two authorities. He hoped that when the Central Government were free from the present political preoccupations, the problem of revising the existing Rates structure and of creating a suitable Rating authority might be expected to be tackled.

Management of Railways

He agreed in principle to the suggestion made by the President regarding the need for associating businessmen in the management and administration of the railways. He had closely watched the result in other countries of management of State undertakings through *ad hoc* corporations and there was much in that procedure which commended itself. There were, at the same time, considerable practical difficulties in immediately instituting any such system here. He was not very sure whether it would be possible to secure the services of businessmen of the required standing and experience; front-rank businessmen might not care to take jobs of that kind. Because of the size, distance and ramifications of the organisation, the entire system might not conveniently be brought under the control of one administrative authority. In this connection, he recalled the provision in the 1935 Constitution Act, for the creation of a Statutory Railway authority. He was inclined to feel that some such authority, with the necessary adaptations and modifications which would fit in with the existing requirements, might probably offer a possible solution. However, Government might be expected to deal with this aspect in due course.

Referring to the suggestion that the work and functions of the Local Advisory Committees might, in the meanwhile, be enlarged, he felt that the same would not be practicable. Advisory Committees could not, from practical considerations, be vested with powers of superintendence over the management.

Railway Finances.

Dr. John Matthai recalled that the interest rates paid by the railways on the capital employed in the railway undertaking were coming down year by year. The railways were paying to the Central Exchequer only the weighted average of the interest rates which the Central Government themselves paid on their loans and borrowings. The question of the allocation of the surplus revenue and the basis of the contribution by the railways to the Central Revenues was at present being examined at an expert level. He was unable to agree with the views expressed by the Committee that the burden borne by the railways in the shape of contributions to the General Revenues during the period of the war was excessive. In this connection, he referred to the procedure of raising finance followed in Soviet Russia by variation in the prices charged for products of nationalised industries. He pointed out that if the railways were a private commercial undertaking, they would have, during the period of the war, paid, in the form of Income-tax, Corporation Tax and E.P.T., more than the aggregate amount represented by the contributions. To satisfy his personal curiosity, he had worked out the figures and found that if the railways were subject to taxation, the amount realised by the Central Revenues would have been a little more than the contributions.

Re-grouping of Railways

He agreed with the views expressed by the President that there was scope for reorganising the existing grouping arrangements. But in the meanwhile, they had to bear in mind the changes resulting from the altered constitutional position. The present proposals might involve a division of the assets and liabilities of the railways and a demarcation on the changed political basis would render grouping in different directions essential. However, the problem of re-grouping the railway system and administration could only be tackled after the immediate problems were solved.

Transport Shortage

He was alive to the difficulties and disorganisation caused by the existing acuteness of position in regard to transport shortage. In fact, the main purpose of his visit to the City was to have consultations with the General Managers of the Railways. He was hoping that the discussions which he was having with the General Managers would result in measures for relieving the position and for making movements easier. Explaining the circumstances which had led to the deterioration in the position, he pointed out that, while the overall

supply position in regard to rolling stock, wagons, locomotives, coaching stock, etc. was comparatively better, there was less movement due to factors of an extraneous kind. On account of civil disturbances in the Punjab, N.-W.F.P., and certain other places, the turn-round of wagons was unexpectedly slow. A large number of wagons in these centres had not immobilised for a continuous period. Consequently, there was a loss of velocity in movement. Sense of insecurity in certain centres had also led to scarcity of labour for handling goods. At one period at Rawalpindi alone 3,000 wagons were waiting because no satisfactory arrangements could be made for the turn-round. He particularly stressed the handicap caused by labour shortage and efficiency.

Incidentally, he also referred to the change in the character and volume of the traffic handled by the railways. The food position in the country necessitated movement of large supplies from port centres to the interior. This was a kind of movement which was not ordinarily anticipated and which the railways were not called upon to handle in normal period. There was no proper return traffic for the wagons carrying food consignments from the ports to the interior. Naturally there was immobilisation of the wagon space to that extent. While he had no desire to make any extravagant promise, he was hopeful that as a result of the discussions and deliberations, which the Railway services were having at the moment, there would be some definite improvement in the position very shortly.

Complaints about Priorities

The system of priorities was the direct result of transport shortage. Priority was supposed to be regulated on the basis of relative essentiality. As the total wagon accommodation available was, in relation to the demand, insufficient, priority naturally had to be linked to the essentiality of the goods. There was room for difference of opinion as to the essentiality of a particular item or article over another. The user would, no doubt, be inclined to think that his needs were more essential than the class of goods moving for a different kind of occupation or undertaking which, according to him, was not so very important. While the railway administration would be willing to go into complaints against the existing classifications in the priority list, he was inclined to feel that such complaints were likely to continue so long as the overall position regarding movement did not improve.

During the course of the supplementary discussion, his attention was particularly drawn to the low rate of priority

given to the movement of cattle. In fact, cattle was placed very much lower in the list than either tinned milk or milk powder. It stood to reason that the agencies which supplied full and wholesome milk should have preference in transport facilities over such imported products like tinned milk and milk powder. Similarly, cattle food and cattle fodder were also given very low rate of priority. The above position did not fit in with the claim that the classification in the priority list was primarily determined by essentiality.

Another suggestion regarding the need for having an Advisory organisation to advise the Regional Controller of Railway Priorities on matters relating to priority was also placed. The Honourable Member promised to look into the same.

Amenities for Passengers

He agreed that there was enormous room for improvement in regard to the conditions of travel in the country. Trains continued to go overcrowded. Out of the vehicles loaned to the military during the period of the war, 400 vehicles had yet to be returned. When these additional vehicles were available, there would be some improvement in the position. Incidentally, he mentioned that the passenger traffic had increased 102 per cent over 1938-39. This was possibly due, in some measure, to an increase in the purchasing power of the people generally and to some extent, due to scarcity and higher costs of consumer goods.

Safety Measures

He detailed the measures taken by the railway administration for meeting the situation consequent upon increase in crimes over railways. A special Armed Police Force was being created for use over the railways. The safety devices were being maintained and improved. The existing conditions of civil disorder in some parts were causing some repercussions on the railways. However, he hoped that this would only be a passing phase and that with the help of safety measures and the increased police force, railway travel in India would be soon made quite safe as in the past.

Corruption

He was aware that the administration had not succeeded in eliminating corruption although vigorous efforts were made, under the anti-Corruption Act, to organise a drive against such malpractices.

Revision of the Constitution of the Port Trusts

A comprehensive legislation covering all the Port Trusts was under contemplation. The Port Trust Board would be reconstituted and there would, no doubt, be increased representation for Indian commercial interests on the Boards in future. The views of the Port Trusts had been obtained in regard to these matters. The next stage would be to obtain the views of the Provincial Governments on the changes proposed and thereafter of the commercial organisations and the public. He, however, added that the constitutional changes had put a different setting to the earlier proposals for having a comprehensive legislation for all the major Port Trusts in the country. Progress would, therefore, be possible only after things in the constitutional sphere got clearer.

During the course of the supplementary discussions, suggestions for greater attention to retrenchment, pruning and abolishing war-time establishments, improving Executive vigour, greater attention to re-grouping and rationalising management, increased priority for things required for food production, special priority for movement of fertilizers, problems caused by the deviation of ships and consequent accumulation of imported supplies in port centres involving duplication of movement, need for maintenance of a sample room at each Railway Headquarters, exhibiting the more important goods, articles and stores purchased by the railways, increased passenger amenities, etc. were made. The Honourable Member agreed to give his consideration to the suggestions in question.

After the President had again thanked the Honourable Member for the detailed and explanatory nature of his replies, the meeting terminated.

APPENDIX 13

Indian Railway Enquiry Committee

Letter No. 1735, dated 3rd July 1947, from Chamber to Indian Railway Enquiry Committee, Railway Board, New Delhi.

I am directed to refer to your letter No. IREC.46|SG|2 dated 2nd June 1947 and to send to you hereby the views and suggestions of my Committee on the issues raised in the terms of reference of the Indian Railways Enquiry Committee 1947, viz. :—

(1) Suggesting ways and means of securing improvement in net earnings by (*a*) economies in all branches of railway administration, (*b*) any other means, and

(2) Ascertaining the extent of staff surplus to requirements and suggesting practical methods of absorbing them in railway service.

While my Committee fully appreciate the imparative necessity of devising ways and means of effecting economies in the management and administration of our national asset in which over Rs. 830 crores of countries' wealth is sunk and in fact my Committee have on several occasions in the past raised these very issues in their various representations to Government, they feel that the Committee will be working in an atmosphere of unreality in view of the impending political changes envisaged in the Procedure Plan of H.M.G. for transferring power to India announced by the Viceroy on June 3rd and now accepted by the important political parties. The working out of the Plan will inevitably involve the division of the assets and liabilities and this may necessitate the examination of the problem in a new perspective. However, in spite of this limiting factor, my Committee are of the view that the fundamental problem of placing the Railway administration on a sound and solvent basis will confront the country in the same manner and as such the findings of the Committee may help in evolving a comprehensive and integrated Railway Policy for the future.

Review of the Financial Position

It is nearly two years since the cessation of hostilities and yet the reconversion to peace-time has been beset with such colossal difficulties that it is necessary to review the impact of war on the finances of the railways and the trends as they have emerged during the last two years. During war-time there was a spectacular increase in traffic receipts, derived from the three main sources, viz. passenger, other coaching traffic, and goods. The main reason for this record increase is the additional traffic consequent on the defence needs and military requirements. The gross traffic receipts which stood at Rs. 100 crores in 1938-39 more than doubled when they reached the figure of Rs. 226 crores in 1945-46; but for the following year the item registered a decline, the revised estimate for 1946-47 being Rs. 206 crores; a further decline is expected in 1947-48 to Rs. 183 crores. Even at this level the gross receipts show a rise of about 83% over the pre-war. Examining the passenger traffic, there was a record increase both in the upper class and the lower class, the total advancing from Rs. 28 crores in 1938-39 to Rs. 86 crores in 1946-47 showing a percentage rise of 308. Similarly there was a remarkable rise in other coaching earnings from Rs. 4.96 crores pre-war to Rs. 32.24 crores in 1944-45. However, in the two succeeding years, the income from this

source has fallen by more than half and in 1947-48 it is expected to be reduced to Rs. 8 crores. Again the large-scale movements of military traffic and of other essential requirements connected with the war resulted in increased goods traffic earnings which advanced from Rs. 64 crores in 1938-39 to Rs. 111 crores in 1945-46 from which level a decline has started, the budgeted estimate for 1947-48 being Rs. 102 crores.

Turning to the expenditure side of the railways which is rather more important for a correct appraisal of the future trends and solvency, the total working expenses (including depreciation) have registered a rise from Rs. 69 crores to Rs. 174 crores in 1946-47 (revised estimate), with an estimated fall to Rs. 152 crores in 1947-48. The rise is strikingly steep from 1941-42. The operating expenses have advanced steadily from Rs. 54 crores in 1938-39 to Rs. 159 crores in 1946-47, i.e. by 194 per cent, with an anticipated decrease in 1947-48 at Rs. 135 crores. The operating ratio, i.e. the ratio of total working expenses to gross traffic receipts showed a steady upward trend from 69% in 1938-39 to 80% in 1946-47. This is self-explanatory that in spite of the increases in income, the expenditure has been rising at a rate far exceeding that of the revenue. The depreciation charges remained more or less stable till 1942-43 at just above Rs. 12 crores and from this year till 1945-46 there was an additional provision of Rs. 4 crores per annum to meet the excessive wear and tear during the war.

Thus after the working expenses, depreciation and other miscellaneous items have been met with, the net revenues, have begun to show a decline from 1943-44. From Rs. 31 crores in 1938-39 they rose to Rs. 79 crores in 1943-44; from that year they came down to Rs. 65.38 crores in 1945-46 and to Rs. 35 crores in 1946-47 with an estimate of Rs. 44 crores for the current year. While reviewing the statistical position of the finances of the railways, it may not be out of place to refer to the calculations made by Mr. J. F. C. Reynolds, in his presidential address at the annual session of the Indian Railway Conference Association in December 1946, when he estimated that the gap of Rs. 11 crores budgeted for 1947-48 will rise up to Rs. 30 crores by 1949-50.

As to the future of earings my Committee feel that despite the present trends which are inevitable on account of the dropping off of military traiffic and other war-time traffic, in view of the possibilities of increased trade and the development of new industries, it should not be difficult for the railways to maintain a fairly large level of earnings. It is indeed true that the railways will need all the drive and ini-

tiative for catering the needs and requirements of the commercial as well as the general public.

However the most outstanding fact as revealed by the figures of the working expenses is the steep rise recorded all-round and particularly in cases such as the maintenance of carriage and wagon stock and miscellaneous expenses they have mounted up to the extent of 275% and 400% respectively as compared with 1938-39. For the current year the total working expenses are estimated at Rs. 152 crores, the reduction over the previous year being due not on account of any economies effected but mainly due to the fact that the special debits to revenue of part cost of works or rolling stock ordered during the war will be virtually completed during the current year. Besides, the railways will have to implement the recommendations of the Adjudicator and the Pay Commission which they have accepted. On account of these two items, the Railways will have to provide for an additional expenditure of approximately Rs. 37 crores. In view of this it becomes all the more imperative that the Railway Enquiry Committee should very carefully look into all the possibilities of reducing the cost in the various items of expenditure. Unless strenuous efforts are made in this direction to reduce the working expenses consistent with the demands of efficiency, there is a great danger for them to repeat the mistakes of the thirties and relapse in the stage of financial disequilibrium as in the years 1930-36.

Having stated the general financial position, my Committee would like to indicate the directions in which economies could be effected in a general way. It is not possible for my Committee to go into the detailed expenses of every Department and make the necessary recommendations thereof but it is hoped that the High Power Committee will make all efforts to bring down the cost of all such Departments which had expanded on account of war-time exigencies.

Suggestions regarding Separate Heads of Expenditure

My Committee have repeatedly pointed out to the Railway Board in their various representations that the budget estimates, revised estimates and actuals showed such a wide margin of difference that there could hardly be any correct inference of the financial position of the railways from the figures of budget estimates presented every year. It is a matter of common knowledge that budget estimates and revised estimates are invariably under-estimates in the case of earnings and over-estimates in the case of expenditure as compared with the actuals. For instance, in respect of gross traffic receipts the percentage of error of actuals to original estimates was 19.43 for 1942-43, 23.62 for 1943-44, 18.89 for

1944-45 and 16.38 for 1946-47 (revised). An examination of the constituent items of the main heads of revenue also reveal a wide gap between the budget estimates and the revised estimates, the former always being under-estimates. While my Committee can appreciate the policy of Government in being cautious and presenting a conservative estimate, they feel that such a wide margin of error, while vitiating the purpose of a budget, only reveals the wrong system of accounting that is followed in preparing the estimates. In addition, my Committee would like to emphasise the need for reviewing the system of statistics adopted in the railways in accordance with present-day needs and refer to the recommendations of the Wedgewood Committee on this point. As is revealed by experience, there has been no visible improvement in the system of statistics followed since then and the statistics as published and interpreted are of doubtful value. It is, therefore, imperative that the Railway Administration should thoroughly revise their statistical methods of estimates and calculations, avoid unnecessary and misleading statistics and add more useful statistics and make the gap between the budgetary estimates, revised estimates and the actuals much narrower than what it is at present.

Interest Charges

Since interest charges have the first claim on the net revenue, my Committee would like to point out the necessity of considering the possibility of reducing the burden under the altered conditions prevailing today. It is indeed true that the interest rates on Government borrowings have been steadily declining and consequently as compared to 1938-39, in the budget year 1947-48, it has been possible to effect a reduction of Rs. 3 crores, which works out at the rate of 3.2% as against 3.4% in the previous year. However, view of the present cheap money policy adopted by the Government, the present rate appears to be high and needs to be revised and brought down to the level of 2½ per cent. With this change, it will be possible for the Railways to effect a saving to the extent of nearly Rs. 6 crores.

Contribution to the General Revenues

My Committee do not propose to go into the history of the operation of the Railway Separation Convention of 1924 and the subsequent changes effected in the basis of the contribution to the General Revenues. The original object of the convention namely to enable the railways to carry on a continuous railway policy by conferring financial autonomy on the railways has been hardly realised. As a matter of fact, the actual operation of the convention has proved unduly

liberal in respect contributions to general revenues and has resulted in the neglect of the urgent demands of railways during the war period and the long-term requirements and needs of the users of the railways. They would further like to emphasise that the rigid rule of the convention which gives a cumulative effect to the unpaid contribution of any year should be removed and the contribution to the General Revenues should accrue only in a year of distributable surplus. My Committee understand that an expert Committee have under consideration the examination of the whole basis and the working of the convention. They hope that the findings of the Committee will result in a proper re-adjustment of the rates of contribution in the light of the post-war financial requirements of the railways.

Operating Expenses

The cost of staff constitutes the largest single item on the expenditure side. The growth of expenditure on staff including the cost of concessions during the war has been phenomenal, rising from Rs. 35 crores in 1938-39 to nearly Rs. 86 crores in 1946-47, an increase of 140% over 1938-39. Besides, the total wages Bill will go up by nearly Rs. 37 crores on account of the acceptance by Government of the recommendations of the Pay Commission and the Adjudicator. It is obvious that this is a part of the larger problem namely the general inflationery conditions and the consequent upward trend of prices prevailing in the country and it is hoped that serious efforts will be made to arrest the vicious spiral of rising wages before it does irreparable damage to the whole economy. The upward trend in prices is only a temporary phenomena and consequently with the restoration of conditions to normalcy, it should be possible to expect the wage bill to go down.

Closely allied with this is the question of the expansion that has taken place in various departments on account of the urgent necessities of the war situation. It is not possible for us to work out the extent to which the war-time expansion has been responsible for the increase in the wage bill but my Committee feel that the Railways will have to seriously look into the question of retrenchment of the superfluous and surplus staff. While my Committee fully sympathise with the views expressed by honourable the Transport Member in his speech that Government should explore the possibilities of absorbing surplus staff to railway requirements in alternative employments and that they should try to allay the workers' anxiety as to impending unemployment, they, at the same time, hope that the Enquiry Committee will carefully scrutinize the cost of wages and will try to

effect the necessary economies consistent with the requirements of efficiency. My Committee would also like to point out that there is still a number of officers at the top, a good number of them still being European Officers, whose salaries, as has been accepted, are not commensurate with the standard of living of the people of the country. Since the Government have accepted the recommendations of the Pay Commission in this respect, it is hoped that this will result in bringing down, in coming years, the salaries of the officers in the higher grade.

Fuel

It is felt that there exists a good scope for economy in the fuel bill which is another important item under the working expenses. The expenditure on this head has been continuously going up from Rs. 8 crores in 1938-39 to Rs. 21 crores in 1945-46, on account of a combination of causes. It is gratifying to note that the question of fuel economy and the recommendationes of the Indian Coal Fields' Committee in this regard have been receiving careful and detailed attention of the Railway Board. My Committee hope that this fuel economy campaign will be pursued most vigorously and the railways will explore all possible ways of economising the use of good metallurgical coking coal, of finding out alternative forms of power as diesel oil, wherever suitable, and electrification and of constructing materially lighter rolling stock, which may reduce the overall coal consumption.

Other items of expenditure

Besides the Committee must very closely scrutinise and examine numerous items of expenditure which offer good scope for economy. My Committee will only make mention of a few such departments. It is worthwhile considering whether the existing separate departments of Audit and Accounts have been conducive both to economy and efficiency and whether it would not be desirable to re-shuffle and re-organise the same on a new basis. The question of continuance of the Clearing Accounts Office will also have to be considered in the same manner. In addition to this, attempts should be made to rationalise the expenditure incurred on the departments such as Repairs and Maintenance, new construction, open line works, central Publicity Bureau and Miscellaneous items including stores purchase, etc. My Committee feel confident that a careful consideration of the expenditure incurred under these heads is likely to lead to considerable and permanent economies.

Amalgamation and Regrouping of Railways

Another direction of a substantial reduction in working and administrative expenses of railways arises from the possibility of amalgamating and re-grouping the railways. This should offer no special difficulties since the State owns all the railways and under a single management railways can be easily re-grouped into convenient units conducive to more efficient management. For example, it was pointed out by the Pope Committee as early as 1931 that amalgamation of workshop resources, accounting staff, etc. between the Great Indian Peninsula and Bombay Baroda and Central India Railways will result in reducing the extra overhead charges and thereby offer considerable economies. They also referred to similar circumstances existing in the Calcutta area in respect of the East India and Eastern Bengal Railways. It is hardly necessary to emphasise that a well-thought-out scheme of amalgamation instead of several railways operating independently, will result in avoiding the duplication of Administrative Offices, passenger terminals, goods sheds and marshalling yards at all important terminii and thereby in large-scale economies. The existing systems entail " an elaborate and expensive system of accounting and a fertile source of disputes and interminable negotiations ".

Another reason why amalgamation and re-grouping become desirable is from the point of view of improved financial stability which such re-grouping will make possible. It is understood that no less than four of our railway systems under State management, viz. the Bengal Assam Railway, the Bengal Nagpur Railway, the East Indian Railway and the Oudh & Tirhut Railway, of which the last was yielding heavy dividends prior to coming under State management, are now working under a loss. This reinforces the question of re-grouping of our railways so as to eliminate a considerable waste, unavoidable in a large number of small undertakings and make their working both efficient and economic.

Loss in working the Strategic Lines

It is clear that by virtue of their very character and the object for which they are designed the strategic lines show a net loss in their working. For example, for the year 1944-45, the losses were Rs. 1.65 crores, for 1945-46 (revised estimate) the losses increased to Rs. 1.68 crores and for 1946-47 the budget estimate of the loss was Rs. 2.02 crores. My Committee are of the view that the strategic lines being essentially a part of the Defence Machinery the losses should be chargeable to the Defence Accounts and the railways should not be made to bear the burden of the losses incurred for Defence purposes.

Research and Experiments

While my Committee appreciate the beginnings made in the direction of a Central Research Station for railways with the necessary laboratories, test tracks and workshops, etc. they feel that much remains to be done to extend the scope of research organisation with advantage so as to cover experiments over a wider scale than hitherto. In this connection, reference may be made to the emphasis laid on the significance of experiments and research by the Pope Committee particularly during periods of lean years. To quote the Pope Committee " the obvious policy of any commercial concern should be to reconstruct and experiment in lean years so that the richest harvest may be garnered during prosperous years ". Reconstruction during prosperous years often leads to extravagances owing to the over-optimism such periods tend to produce. Apart from any other consideration, it is a well recognised axiom in railway and other industrial circules that " if you stop progressing you start sliding back ". It may also be pointed out that the Indian Railways now having come under one charge are in a unique position in which there need be no withholding of technical information for fear of competition between the various lines. On the contrary, the widest possible publicity should be given of the results of experiments among the Railway Officials. My Committee are convinced that if a bold scheme of research is initiated considerable economies can be realised more than compensating the extra expenses involved in the additional staff required.

Railway Rating Policy and Structure

My Committee do not propose to examine here the past history and policy governing the Railway Rates Structure. It is gratifying to note that the present interim Government have recognised the need for simplification of the Indian Railways rating structure and a reorientation of the railway rating policy along nationalistic lines. It is an established fact that in India for the last so many years the individualistic rates policy has not helped the growth and development of our indigenous industries. This has been repeatedly pointed out by the various Commissions and Committees from the time of the Holland Commission. The Wedgewood Committee too were impressed with the fact that the rates had not been adjusted to the changed fiscal conditions and that they facilitated the import and export traffic to the detriment of Indian industries. Whatever the objective, the fact remains that the Railway rates policy followed hitherto has resulted in the 'starilisation of industries'. Besides, the railways have so far neglected the important question of connecting the internal centres of production and consumption

and thereby increasing the possibilities of developing internal trade. Again, the policy adopted by the railways of increasing the rates and fares for the purposes of meeting the budgetary gaps can hardly meet with the approval of the commercial community. My Committee hope that since the railway rating policy will be now formulated and directed by the centre and the whole question is being examined at present at an expert level, the old and cumbersome rating structure and the numerous anomalies and defects which characterise the present rating practice will be eliminated and the whole reorientation of the policy governing our national undertaking will result in adapting itself to the changing pattern of our agriculture, trade and industry.

Railway Rates Advisory Committee

My Committee are of the view that the Railway Rates Advisory Committee as constituted today discharges only minimum functions relating to complaints of undue preference or the reasonableness of rates or complaints regarding disputes of a minor character pertaining to administration. As such the body does not inspire sufficient confidence and my Committee would, therefore, like to suggest the appointment of a Statutory Rating Authority like the Railway Rates Tribunal which can properly look into the anomalies of the present rate structure and evolve a national policy of fostering industries which have already come into existence and those that may develop in the wake of industrialisation. They would further suggest that the Tribunal should, as in England, be vested with powers of altering the classification of goods, of varying or cancelling through rates, instituting, cancelling or modifying existing rates, having due regard to the reasonable railway and trade requirements.

Disposal of Claims by Railway Authorities

My Committee note that the amounts paid in compensation to goods lost or damaged has increased from Rs. 4 lakhs in 1938-39 to 151 lakhs in 1945-46. Apart from the question of large increase in the volume of traffic and the steep increase in the value of commodities, the growth in the amount of compensation must be a matter of serious concern to the Railway Administration. Efforts should be made to recruit more efficient and experienced staff to prevent loss and mis-despatch of consignments. They would further suggest that the Railway authorities should try to expedite disposal of claims as against the present undue delays.

Central Advisory Council and Local Advisory Committees

My Committee are of the opinion that these bodies perform very useful functions as the liason between the Railway

Administration on the one hand and the public and the commercial community on the other. The presesnt scope of the Local Advisory Committees needs to be sufficiently enlarged so as to enable them to function in a more active and practical manner. They should be empowered to go into questions relating to rates and fares and such other problems. Provision should also be made to hold the meetings of such Advisory Committees at more regular intervals and frequently. It is also necessary to revive the practice of holding closer contact meetings with the commercial community so as to facilitate the exchange of views between them and the Railway Administration and make the latter responsive to the growing needs and requirements of the people.

My Committee had an opportunity of meeting Honourable Dr. John Mathai, Member for Transport and Railways, recently in June, when a memorandum on behalf of the Committee of the Chamber was submitted to him and several important issues such as Railway Finances, Reform of the Rates Structure, Management of Railways, etc. covering the scope of the present enquiry were raised therein. A copy of the same is appended herewith for the information of the Railway Enquiry Committee.

In conclusion, my Committee hope that the Railway Enquiry Committee will give due consideration to the views and suggestions embodied in the memorandum while examining, among other terms of reference, the ways and means of effecting economies in the Railway Administration.

APPENDIX 14

Transport Difficulties

Letter No. 623, dated 12th March 1947, from Chamber to the Chief Traffic Manager, B. B. & C. I. Rly. and G. I. P. Rly.

I am directed by the Committee of the Indian Merchants' Chamber to draw your attention to the continued difficulties experienced by the commercial community in securing wagons for transport of goods to upcountry centres. My Committee have, from time to time, approached your Railway urging consideration of the various types of hardships suffered by individual trades. While recognising the difficult situation prevailing in regard to securement of wagons, they then appealed to the better judgment of the railway to concede, in the interests of trade and commerce in general, the requests for allotment of transport facilities. As early as in March 1946 my Committee had brought to the attention of the railway authorities the uncertain conditions in respect of securement of transport for upcountry centres. They are

constrained to observe that even after the passage of almost a year since your attention was drawn, the conditions have practically remained the same and the Chamber is still receiving a number of complaints in this regard.

It will be readily admitted that in spite of explanations and assurances that the matter was being seriously tackled by the railway authorities and that within a reasonable time relief would be forthcoming, my Committee regret very much that nothing tangible has so far been attempted to bring relief to the uncertain transport facilities which the trade and commerce, under the present conditions, can rightly claim. It may be pointed out here that the large deferred demand of the trades to move merchandise to destinations which is urgently required to feed the requirements of industries, still remains to be fulfilled.

The difficult position in regard to transport of tobacco from destinations in Gujarat has still not been eased. Various categories of essential food articles are not receiving due attention so far as transport to upcountry destinations are concerned. The complaint regarding uncertain movement of textile stores and machinery and parts of electrical goods has not received serious consideration of the railways. My Committee would here like to draw your attention to the difficult position in which some of the industries find themselves in not being able to move their products to upcountry destinations. Under the present circumstances a large volume of imported goods is in a better position to compete with indigenous manufactured products which suffer great difficulties in moving to required destinations. To cite an instance in point, photographic chemicals, viz.: sodium sulphate, sodium bi-sulphate, Hypo, Chrome Alum and Chrome Pigments manufactured by a factory in Goregaon are held up since months for want of booking. Naturally, imported varieties would get going in the markets and catch the attention of the consuming public in the absence of indigenous manufactured varieties. Further, rectrictions on booking of artificial silk yarn and other yarns are causing anxiety to the trade concerned since last four months. Many ancillary industries like the handloom industry are already suffering as a result thereof. It may also be noted that deliveries of piecegoods to the Nepal region have been affected since a couple of months.

It would not be right and proper for my Committee to cite all such instances in detail. The broad nature of the difficulty should, at the same time, be realised by the railway authorities and due attention should be given to the complaints of the industries and trades received by railways.

My Committee feel that, taking into account the nature of complaints received from the various trades, an enquiry should be instituted by your railway to look into the conditions existing at the Booking Depots with a view to give as much relief as is possible to the trading community in disposing of the accumulated merchandise awaiting despatch. My Committee had previously represented that while booking of wagons was not possible for certain commodities at Wadi Bunder/Carnac Bunder for particular destinations, the same goods were being booked for the required destinations from other nearby stations. My Committee cannot understand why such an anomaly should exist in case of Wadi Bunder/Carnac Bunder when other nearby Booking Stations were open for such booking. It will be agreed that merchants are compelled thereby to incur extra expenditure in moving their goods to such nearby stations for getting booking facilities which are denied to them at Bombay Depots.

Time and again, my Committee have brought to your notice the serious hardships experienced by the Kariana trade in getting booking facilities from Bombay Depots. It is now a couple of months that the Bombay Depots have been practically closed for booking of Kariana articles except for a day here or there. The Railway authorities had announced that wagons would be allowed to be supplied freely from the beginning of this year. It is regretted that booking still remains closed and the trades concerned are suffering hardships as a result of shortage of warehouses and attendant deterioration of such perishable articles.

As you are aware, Bombay is the main distributing centre for Kariana articles in respect of upcountry stations. Owing to lack of transport facilities such Kariana goods are being accumulated with consequent shortages in other parts. In this case also, while Bombay Depots remain closed for such booking, nearby stations are open for such traffic. In such times of high prices, the added cost of transport as a result of moving goods to long distances for securing booking will act as a burden on the consuming public. My Committee urge that the railway authorities will pay particular attention to this specific complaint of transport of Kariana goods which are essential necessities of daily life and obviously come under food requirements.

My Committee hope and trust that the above difficulties of the trade will be seriously looked into by the railway administration and that immediate steps will be taken to bring relief to the different trade interests concerned.

Letter dated 7th April 1947, from the G.I.P. Railway to Chamber.

I note the contents of your above quoted letter dated 12-3-47. In this connection I have to refer you to this office letters Nos. G.494|WB of 23-9-46 and 14-1-47 in reply to your letters Nos. 2105 of 5-8-46 and 3030 of 23-11-46 respectively. The position in respect of priorities for booking has been dealt with at length in both those letters and unfortunately remains unchanged.

About difficulties experienced in regard to movements of Tobacco from stations in Gujerat and of photographic chemicals from Goregaon, I have to inform you that these stations lie on the B.B. & C.I. Railway. Doubtless you would have addressed the Chief Traffic Manager, Bombay, of that Railway. Booking of "Essential foodstuffs" is arranged under Class II when consigned by and to private concerns of this Railway's Priority List. It is not always that difficulty is experienced in transporting this class of goods. As regards Artificial Silk Yarn, Textile Stores and Machinery and Electrical goods these all fall under Class III. I regret some difficulty might be experienced to despatch these goods.

During the past few days owing to an acute shortage of wagons generally all over this railway and more particularly at Wadi Bunder bookings had to be restricted very often to class I for all the stations and to class II for certain stations. Incidentally "Smalls" of lower priority could not move from Wadi Bunder although they moved freely from other nearby places. I regret it has not yet been possible to permit bookings of "Smalls" freely from Wadi Bunder Goods Depot and this question is receiving my attention.

As already stated *vide* my letter of even number dated 23rd September 1946, the Regional Controller of Railway Priorities, Bombay, will continue to issue individual priority certificates in genuine cases provided sufficient justification is put forward when booking of such goods under the existing priority is not possible. I shall be grateful if you will advise the members of your Committee to approach him in the matter direct if and when such an exigency arises.

Letter No. 1064, dated 25th April 1947, from Chamber to the Railway Board, New Delhi.

I am directed by my Committee to address your Board once again drawing their attention to the serious hardships and difficulties to which the public are being subjected since a continued length of time in the matter of obtaining booking and wagons for transport of goods and materials so very urgently required by trade, commerce and industry.

My Committee had addressed a lengthy memorandum detailing the difficulties regarding shortage of wagons for goods traffic to the War Transport Department in May 1946. The general trend of the reply of the Department dated 21st July 1946 was to stress that although the war emergency had ended, the carrying capacity of railways had been adversely affected to an appreciable extent by various other considerations over which the railways had no control. While mentioning the priority needed for movements of food, large movements of surplus war materials, Government's movements in connection with rehabilitation and industrial and agricultural developments, the reply emphasized that the Regional Controllers were doing their best to assist the less essential industries which were suffering from shortage of transport and that both the War Transport and Railway Departments were fully conscious of the need to increase the overall capacity. The reply added that the difficulties were of a temporary nature and would be overcome shortly.

Nearly a year has come to pass between the position then existing and now. To put it mildly, the conditions of goods transport have since then worsened and the commercial community are feeling the strain and hardship to an extent which cannot be fully realized. My Committee have dealt with this aspect of the difficulty at various times during the war emergency as also after the termination of the war, and they do not want to place any lengthy memorandum on the subject as Government are fully aware of the difficulties of the industrial, commercial and trading community. The position, in short, demands immediate relief and the authorities concerned should take early steps to put the problem of the transportation of goods on a reasonably satisfactory level.

During the last six months the goods priority list has been revised twice over. The latest revision has been announced with effect from the 15th April. The priority of essential goods in many instances have been revised and some complaints of the public in that regard have been found corrected in the latest list of priorities. My Committee, however, would not like to rest satisfied with these periodical changes in priority. After all, these changes are made on paper while the booking and allotment of wagons remain the responsibility of the booking authorities. What my Committee would desire is that an article of merchandise or raw materials of essential importance to industry should be open for booking at least once in a week, in whatever class such goods have been placed in the Priorities List.

My Committee would like to draw attention to class 3 of the previous Priorities List, under which various items of general industrial utility goods were expected to move. It

had been the experience of the traders concerned that this class of booking had remained closed for a considerable time and no opportunity was given for moving the goods placed under this class. The difficulties can be realized by the large accumulation of such class of goods which have been awaiting despatch to various upcountry centres needing them urgently. My Committee need not stress the further difficulty of the finances being blocked up by such a lapse on the part of the railways, viz : the closure of bookings for considerable length of time. My Committee again stress the fact that it would be upto the railways to give opportunity for booking of goods, however non-essential from the point of view of Government, at some stated periods, thereby easing the difficult problem of movement of goods by rail. Under the increasing trading activities in the country, the above aspect of the matter should be fully examined. My Committee emphasize that with this need in view the railway authorities should take into consideration the manifold increase in trading activities in the country, as compared to the period before the hostilities started, and expand the railway machinery for booking of various commodities at different booking centres.

Number of clerks, booking stations, booking sheds, etc. have almost remained the same, while the volume and quantum of booking have increased manifold and my Committee suggest that the Railway Department should immediately take in hand re-organization of the booking side of the railway activities and increase booking clerks, booking centres, booking sheds, etc. in the various industrial and *entrepot* centres of trade. As a result of the inability of the railway machinery to cope up with the demand for bookings, my Committee are informed, large number of labourers with considerable number of packages are found to be sleeping on the road every night awaiting a chance for booking the next day. Obviously, certain agencies would be created under the circumstances, giving rise to corruption and dishonesty with regard to such bookings.

While the above difficulties form one aspect of the question, there is another broader aspect about which Government cannot be unaware. The rehabilitation and reconstruction activities of Provincial Governments are also meeting with checks and drawbacks as a result of the railway goods booking disorganization. It was expected that large consignments of steel, cement, building materials, metals and such other useful articles would move with considerable ease. Committee regret that such important movements have also been hindered and the country as a whole is finding it difficult to put the many reconstruction programmes into operation. Similar conditions exist in regard to movement of paper,

leather goods, etc. which are considered essential from the point of view of feeding the trade and other activities of the country.

My Committee would here like to point out a small difficulty in regard to the usual practice in the railways not to accept parcels weighing more than seven pounds. My Committee had represented to the railway concerned this difficulty; but we have not yet received a satisfactory reply in that connection. They would submit that the limitation of 7 lbs. weight should be revised to at least 1 md. My Committee hope and trust that the Board will give their earnest attention to the grave situation by the slow and uncertain machinery of goods booking and remove, at an early date, the anxiety of the trading public as also the general public by taking immediate steps to broaden and expand the railway machinery for goods booking and to increase availability of wagons for the movement of commercial and industrial goods particularly.

Telegram, dated 2nd May 1947, from Chamber to the Railway Board, New Delhi.

Committee, Indian Merchants' Chamber, had addressed a communication to the Railway Board on 25th April drawing attention of the Board to the difficulties and hardships caused to the public generally and to the commercial community in particular by the existing extremely unsatisfactory position regarding availability of facilities for movement of goods over railways. Committee are continuing to receive complaints. According to information placed before them the position continues to grow from bad to worse and movement of goods generally is almost at a standstill. Committee request that the situation calls for energetic and immediate steps on the part of the Board so that necessary measures to relieve existing congestion to make available more wagons and to secure a freer and more orderly movement of goods may be planned and put into force without any further loss of time. The public and the commercial community put up with a good deal of inconvenience during the period of the war. It is now more than eighteen months since the war ended and they naturally expect the State to take a more reasonable and practical view of the needs and requirements of traffic and provide the necessary facilities and wagons which would restore movement over railways to conditions of normalcy. In any case the present state of affairs cannot be allowed to continue without causing serious disorganisation to all public and commercial activities. A system of railway priorities was introduced during the period of the war. The war having ended it is reasonable to expect that the said system should

also go. Instead there have recently been drastic changes in the priority list under which movement of goods of an essential character for sustaining the civil life of the country has received a lower rating of priority. Committee have received many complaints against these changes introduced in the new priority list in force in Bombay from 15th April. It is not possible for the Committee in this telegram to refer to all these complaints but they would mention certain striking instances. Private movement of food articles and food products under the old list was placed under class 2 but in the revised list they are moved down to class 6. Many subsidiary articles of food like flour, pulses, etc. are essentials of daily life and their relegation to class 6 for purposes of movement is unjustified. Similarly items of Kariana like dana, jira, pepper are also placed in this class. They are next only to foodgrains in the matter of essentiality. Coffee which under the old list was under class 2 has been taken down to class 6. Committee urge that the entire problem of the arrangement at present obtaining governing transport of goods over railways should be reviewed at a high level and immediate steps taken to relieve the existing position of shortage and congestion. In the meanwhile they request that the classifications for purposes of priority be re-examined so that items which are in the nature of daily essential needs be given their due order of importance.

Letter E 112(1)|47, dated 31st May 1947, from the Transport Department, Government of India to Chamber.

I am directed to reply to your letter No. 1064, dated the 25th April 1947 and your telegram dated the 8th May 1947 both addressed to the Railway Board, New Delhi.

It is quite correct that the present transport situation is not easier than it was when the Transport Department letter No. C112(1)|45, dated 21-6-45 was sent to your address. The main reason why the expected improvement in turn-round of wagons has not materialised is the outbreak and continuance of civil disorders in various parts of the country. As a result of these, the Railway staffs are working under conditions of great difficulty and a large number of wagons are rendered immobile, because consignees do not come forward to unload the contents. In addition, there have been, as you know, labour troubles from time to time in various areas. I am also to mention the fact that Railways have not yet caught up on the arrears of maintenance of locomotives, which were subject to excessive wear and tear during the war.

In February last, it was decided to continue the Railway priority organisation in its present form. The priority schedule of four classes, which was introduced on the 1st January

1947 in anticipation of an improvement in the transport situation which has not materialised, was found not to be entirely suitable to the conditions existing and it was decided to revert to a priority list of six classes and the current priority schedule was accordingly introduced with effect from the 15th April 1947. While the necessity for the present form of priority control remains and the supply of rail transport is insufficient to meet essential demands in full, it will not be a practical proposition to permit all articles of merchandise and all raw materials, even those regarded as non-essential, to be booked by rail at stated intervals, as suggested in your letter.

It is noted with regret that the view is held that existing booking facilities are inadequate. There has been expansion of staff where necessary, and so far as is known booking facilities provided are sufficient for the volume of traffic which can be despatched. Railways, however, are being directed to examine the position in this respect and take such action as may be found necessary.

On the subject of weight restrictions on parcels it may be stated that this is not of general application, nor is it in force on all railways. During the war it became necessary to restrict the carriage of certain commodities by parcels trains, and on some railways this restriction still continues in a modified form which permits of such parcels being accepted provided they do not exceed 7 seers (not 7 pounds) in weight. As more accommodation becomes available on parcels trains, these restrictions will be progressively relaxed.

In regard to the commodities specifically referred to in your telegram, I am to point out that foodstuffs moving on trade account, including wheat products, flour and other grains, pulses and coffee continue to receive some priority assistance, being placed in Class IV out of a total of six classes.

Very high priority, in class I, is given to all movements of foodstuffs sponsored by Government and the view of the Government of India is that all essential movements of foodstuffs will be sponsored and will, therefore, take place without difficulty. The rail transport position is, of course, under constant review, and no decision regarding re-classification of the present priority schedule can be made until the schedule has had an opportunity of functioning for some time under comparatively normal conditions.

Government fully realise the hardships caused to the public generally and to the commercial community in particular and the holding up of Provincial development programmes, on account of the present unsatisfactory transport conditions and while appreciating the causes of these condi-

tions, they are anxious to do what is possible to improve matters. The Honourable Member for Transport, has, therefore, arranged to meet the General Managers of Railways on June 11th next and will discuss with them ways and means of effecting an improvement in the turn-round of wagons.

APPENDIX 15

Responsibility for Damage of Oilseeds carried under Railway Risk

Letter No. 1594, dated 20th June 1947, from Chamber to the G. I. P. Railway.

My Committee have received complaints from certain interests representing the seeds trade that several consignments of oilseeds which were transported over your Railway in October last were received in Bombay in a damaged condition having possibly been exposed to the rain. The Railway Administration, it would appear, got the goods surveyed and the extent of the damage was marked at the back of the Bill Part. When the consignees, however, claimed compensation for damage, the Railway Authorities repudiated the claim on the ground that "under R/R the Railways have carried the consignment with the care expected of a Bailee under Section 72 of Indian Railways Act".

My Committee are unable to appreciate the stand taken up by the Railway Administration. The damage obviously is not at all disputed for the obvious reason that when the administration decided to have the goods surveyed, they were *prima facie* satisfied that some damage had occurred. Further, the very fact that as a result of the survey, the extent of the damage was duly assessed under instructions from the Railway Authorities went to prove that the damage had occurred during the time the goods were in the possession of the Railway Administration. The *factum* of the loss having been established, the liability of the Railway as carriers automatically arises. The onus of proving that the Railway had taken every care and that they were not at all responsible for the loss in any manner rests with the Railway Administration. At all events, in cases of the above character, where the goods obviously were found to be damaged and where the Railways themselves have thought it fit to get the damage assessed, it is a little unfair for the Administration to subsequently take up the stand that they are not responsible for the loss. Whatever may be the legal position under Section 72 of the Indian Railways Act, in view of the circumstances as explained above, it is necessary that the Railway Administration should agree to examine the

claims on the merits of each such case and where, according to the survey, damage had been assessed, payment should be made to the parties concerned on the basis of such Survey Report.

My Committee request that you will be good enough to look into the matter. Particulars of the consignments about which there was occasion for complaint, will, if necessary, be furnished to you after receiving your reply.

Letter No. 10773. L|358, dated 22nd July 1947, from the G.I.P. Railway to Chamber.

The issue raised by you has been carefully considered. In accordance, however, with the directive received from the Railway Board, claims for compensation for loss or damage in respect of consignments booked at Railway Risk should be settled on the merits of each case, with reference to Section 72 of the Indian Railways Act, and that claims should not be paid where circumstances warrant a reduction or repudiation thereof.

The following enquiries are, therefore, made when claims on account of damage by wet are received, with a view to decide whether they should be admitted or repudiated :—

(*a*) Whether the wagon was examined before supply to test its suitability ;

(*b*) whether sheets were used to protect the goods ;

(*c*) the condition of the goods when tendered for booking ; and

(*d*) whether there was rain before and at the time of acceptance at the forwarding station.

If these investigations show that adequate care was taken, the claims are not entertained on the ground that bailee's care required of a Railway Administration under Section 72 of the Indian Railways Act should be deemed to have been discharged. If, on the other hand, any default or omission is noticed, they are admitted and compensation paid.

The position in respect of survey and open delivery is that open delivery on assessment of damages, without prejudice, is granted when desired by consignees with the object of placing on record the extent of damages sustained. The grant of open delivery, however, does not imply that payment of compensation will automatically follow, the grant of compensation being entirely dependent on the liability of the investigations referred to above.

It would, therefore, appear that there is a misunderstanding of this position, as will be observed from what has been stated in paragraph 2 of your letter under reference.

If, in the light of what has been stated above, your Chamber still desires that any specific case should be re-examined, the details thereof may please be furnished direct to this Railway's Chief Traffic Manager for further action.

APPENDIX 16

The Proposed Broad Gauge Railway Line between Manmad and Nardana

Letter No. S.4|MN, dated 7th January 1947, from the G. I. P. Railway to Chamber. (Vide Annual Report 1946 P. 188).

With reference to your letter No. 3165 dated 11-12-46 to the Secretary, Railway Board, I send you a copy of my letter to Mr. M. G. Bhalerao, Pleader, Amalner, for your information.

(Copy)

With reference to the letter dated 18-11-46, from the President, Merchants' Association, Amalner, to the Secretary to the Railway Board on the subject of terminating the Manmad-Dhulia-Nardana project at Amalner instead of at Nardana. I have to state that the proposal to connect Dhulia and Nardana originated in the year 1926 from the Government of Bombay. A traffic survey for a line Manmad-Malegaon-Dhulia-Nardana was conducted in the year 1927. The results of this survey did not reveal that the project would be sufficiently remunerative and therefore, the proposal was postponed. This project has now been included in the tentative programme of the post-war construction of new Railway lines drawn up by the Railway Board in consultation with the Government of Bombay. Unless the Government of Bombay approve of your proposal, and the Railway Board's sanction is accorded, no change in the terminus can be made.

2. It will not be possible without making a detailed survey to discuss the various features of such a project or the advantages of this project over the Dhulia-Nardana line. But *Prima facie* the following factors suggest themselves :—

(i) The distance by road to Nardana is 21 miles ; while the distance to Amalner is 24 miles from Dhulia.

(ii) It is also understood that the passenger traffic from Dhulia is heavier towards Nardana than to Amalner, in view of the fact that passengers towards Ahmedabad and Surat prefer to entrain at Nardana instead of at Amalner. If the line is terminated at Amalner instead of at Nardana

passenger traffic from Nardana, Shirpur and Songir are likely to move by road to Dhulia.

(iii) It is also likely that if the project is terminated at Nardana, part of the traffic between Dhulia and Dondaiche will be available to the rails.

(iv) What has been stated above regarding passenger traffic will hold good to some extent regarding Goods traffic also from Dhulia to Dondaiche, Ahmedabad and Surat.

(v) Although the diversion of the project to Amalner instead of to Nardana would result in avoiding the Panjhra river, there are other engineering difficulties which have also to be considered.

3. In view of these considerations, unless a fresh survey is made, it is not possible to examine the comparative advantages and disadvantages of your Association's proposal while surveying the project between Manmad and Nardana *via* Dhulia.

APPENDIX 17

Petrol Rationing

Letter No. 947, dated 17th April 1947, from Chamber to the Transport Department, Government of India.

My Committee have before them a copy of the communication addressed to the Government of India by the Western India Automobile Association on the subject of petrol rationing. They are aware of the difficulties experienced by the motoring public as a result of the control exercised by Government since 1941 on petrol consumption in the country and fully support the case made out by the Western India Automobile Association for withdrawal of the restrictions.

My Committee feel that the restrictions placed on motor transport by the enforcement of petrol rationing have caused considerable amount of hardship to the general motoring public and particularly to industrial transport. While conceding that the restrictions were necessary for meeting the requirements of the war emergency, there cannot be any justification for the continuation of the restrictions at the present time, when conditions are rapidly returning to normalcy. My Committee are given to understand that there was no dearth of petrol supplies in the country even during the war, the petrol rationing being made necessary owing to the war emergency, when considerable portion of the imported supplies were reserved for defence purposes. Now

that the emergency has been terminated since more than an year and a half, the continuance of restrictions has no valid justification. My Committee are, therefore, of the opinion that the Government would be well advised in the interests of transport in general in the country to withdraw the rationing of petrol at an early date.

My Committee would not like to go into the question of sufficiency or insufficiency of the present quota of petrol supplies to individual motorists, as Government are fully aware of the scarcity rations on which the motoring public have up till now carried on. Even the doubling of the basic ration has not met the requirements of the motoring public, as thereby the basic supply would be only 2|3rd of what was allowed under the basic ration in 1941. As pointed out by the Western India Automobile Association, no difficulties are envisaged in regard to the storage capacity existing in the country, if petrol rationing was withdrawn. My Committee, therefore, earnestly hope that Government will be pleased to consider the difficulties of the motoring public under the present restrictions and make the supply of petrol entirely free.

Endorsement No. 1-PR(4)|47, dated 27th May 1947, from the Transport Department, Government of India, to Chamber.

In continuation of this department's letter of even No. dated 30th of April 1947, I am directed to say that the Government of India much regret that it is not possible either to abolish petrol rationing or to give any further relief to petrol consumers at present. The Government of India fully share your anxiety to remove, as soon as possible, restrictions which are both inconvenient for the motoring public and also involve retention of a considerable control staff whose services could otherwise be employed on more constructive work. Government have recently conducted one of their periodical reviews of petrol supply and distribution in India in consultation with the petrol supply companies. It is not perhaps always realised that pre-war consumption of petrol in India was in the neighbourhood of 24½ million gallons per quarter, whereas civil consumption alone is now at the level of 34½ million gallons per quarter on a rationed basis. It is not easy to calculate what would be the demand if rationing were removed, nor is it certain that adequate supplies could be obtained from abroad to meet that demand, but it is unfortunately clear that transport is at present quite unable to move the unrationed demand, and the Government of India are satisfied that if rationing were removed, petrol consumers would almost certainly suffer a

great deal more inconvenience than they do under the present rationing system. All possible steps are in hand to improve the transport position, and as the position improves and as military requirements diminish, it will be possible to allocate larger quantities of petrol for civil consumption; but there still appears to be every reason to fear that petrol rationing must be continued, at any rate, until the end of 1947.

APPENDIX 18

Air Letter Forms

Letter No. 3031, dated 3rd November 1947, from Chamber to the Postmaster-General, Bombay.

I am directed to refer to the present practice of Post Offices selling Air Letter Forms with stamps affixed and the difficulties experienced by such a procedure. It generally happens that an office has to address several letters by air to one and the same party in the course of the day. The result would be that every air letter has to be separately paid for as Air Letter forms are sold with stamps affixed. As against the practice in vogue in this country, in England blank air letter forms are sold for a nominal value in booklets without stamps being affixed. My Committee feel that in view of the unnecessary expenses incurred by commercial firms under the present practice of selling air letter forms with stamps affixed, Government will be well advised to follow the procedure prevailing in England and issue Air Letter Forms in booklets without stamps affixed on payment of a nominal fee.

Letter No. L Air|29 Misc. 451, dated 11th November 1947, from the Presidency Postmaster, Bombay, to Chamber.

With reference to your letter No. 3031 dated 3rd November 1947 I have the honour to say that there are three classes of service by Air, viz. " post card ", " letter " and " air letter ". When a person has to write several sheets addressed to one and the same party, all these sheets can be enclosed in one envelope and paid for at the prescribed rate for every half an ounce.

In the " Air letter " service, only the space available in the prescribed form can be utilised for communication. Nothing more can be attached to it or enclosed therein. In this connection, your kind attention is drawn to clause 196-C of the Posts and Telegraphs guide.

APPENDIX 19

Telephone Service in Bombay

Letter No. PHA. 34-46|46, dated 6th January 1947, from the Indian Posts and Telegraphs Department to Chamber. (Vide Annual Report page 225.)

With reference to your letter No. 2539 dated the 1st October 1946, I am directed to reply to the points raised therein para by para :—

Para 2 :—The Director-General desires to assure your Chamber that the local telephone authority in Bombay is doing its best to improve the efficiency of service and also to see that fair and equitable treatment is meted out to all members of the public without distinction in the matter of telephone service.

Paras. 3, 4 & 5 :—The Department is considering the creation of a Telephone Advisory Committee.

Para. 6 :—A waiting list of applicants for new telephone connections is being maintained by the General Manager, Telephones, Bombay. As such a list was not maintained during the old Company's days, it is quite possible that a few such applicants who applied before the management of the Company was taken over by the Government may not find their names on the District waiting list. Such applicants, if any, may be advised to renew their applications quickly and get their names registered by the General Manager, Telephones Bombay, on the waiting list.

Para. 7 :—The Director-General regrets that he is unable to agree with your views that as telephone authorities in Bombay are not in active touch with the trade and commerce of the city, they are least fitted to give a decision on preferential treatment for a particular applicant. The matter does not require any detailed knowledge of each trade or profession and the telephone authorities in Bombay, as in other places, have been given full instructions about the categories to which priority has to be given and the District authorities are carrying out the orders.

Para. 8 :—The adoption of the message rate system of charging in Bombay was decided upon by the Government of India after ascertaining fully the views of the Provincial Governments and local commercial interests for the following reasons :—

(i) The existing flat rate system is inequitable since the subscriber who makes a large number of calls pays the same as the subscriber who makes few calls although it costs a great deal more to provide the

service for the former than the latter. The result, therefore, is that the larger user is, in practice, subsidised by the small user.

(ii) The fixed rental charged under the message rate scheme covers the cost of the subscriber's line and apparatus while the call fees represent the recurring charges on account of operation, supervision, cost of exchange equipment, etc., that is to say, in proportion to the use made of the telephone. The charges are therefore, on an equitable basis.

(iii) The flat rate system of charging causes over-loaded lines and the resultant high number of calls per line not only leads to a large amount of wear and tear on the equipment but also causes congestion and a high proportion of ineffective calls, thus lowering the general standard of service. Thus the message rate system tends to restrict unnecessary calls and thus improves the standard of service.

(iv) The annual charge on a flat rate basis may have to be relatively high to cover operating and maintenance costs, and this discourages the small user and so retards development.

For the reasons mentioned above, practically all telephone administrations have abandoned the flat rate system of charges in large towns, where there are wide variations in the use made of telephone service by different classes of subscribers. In the United Kingdom the message rate system was adopted after very careful investigation by a Departmental Committee and a Select Committee of Parliament. In India the system has been in force in the Calcutta District since 1924 and in the Madras District since 1930. The system would have been universally applied earlier in the Bombay District but for the difficulty in getting necessary equipment on account of the conditions created by the war. In the meantime, message rate is being introduced for new subscribers. The whole matter was again carefully reviewed this year by Government, and the decision already taken re-affirmed. It is regretted, therefore, that in these circumstances, the Government are unable to accept your suggestion to revert to the flat rate system.

Para. 9 :—Most of the equipment which can be manufactured in India is being produced in the Telegraph and Telephone Workshops at Calcutta, Jubbulpore and Bombay. Automatic equipment is not manufactured in India and all orders for this have to be placed abroad whenever necessary. It has been the policy of the Department to encourage the manufacture of telecommunications equipment by Indian

enterprise, but apart from such small items as line insulator and wire such manufacture in India has not progressed to a great extent. Your suggestion for entrusting the task of formulating specific proposals in regard to the development of telephone equipment and materials to the Electrical machinery panel has been noted.

Para. 10 :—This is permissible. The parties concerned may be instructed to approach the General Manager, Telephones, Bombay, for the provision of the facility, if required.

APPENDIX 20

Installation of a Public Telephone at the Customs House

Letter No. 494, dated 24th February 1947, from Chamber, to The General Manager, Telephones, Bombay District, Bombay.

I am desired by the Committee of my Chamber to represent to you the need for restoring the facility of a public telephone in the Customs House.

As you are aware, such a telephone was provided at the Customs House before the war for the convenience of the merchants frequently going there in connection with Customs formalities to be completed with regard to their import and export trade transactions. When the war started, the telephone at the Customs House, along with various other public telephones in the city, was removed, and these were switched over for defence requirements. Now that the various controls on trade are being removed and the trade is regaining its pre-war tempo, the need for a public telephone at the said place has again been felt as urgent.

My Committee are aware of the acute position relating to telephones, but looking to the fact that such a facility would cater to the needs of a large number of merchants in carrying out their work, they urge that the installation of such a telephone should be considered on a priority basis. It is hoped that you will give your urgent attention to this request and arrange for the early re-installation of the telephone in the Customs House.

II.—FINANCE, TARIFF AND TAXATION

APPENDIX 21

Budget of the Government of India for the year 1947-48

Telegram dated 1st March 1947, from Chamber to the Hon'ble the Finance Member, Government of India.

Committee, Indian Merchants' Chamber, have considered the statement of the Hon'ble the Finance Member presenting the Budget estimates of Government of India for the year 1947-48. The sociological ideals and objectives animating the future economic and financial policy of Government as outlined therein will generally appeal to the people of the country as a whole. But at the same time Committee feel extremely apprehensive that the proposals adumbrated in the Budget for achieving that objective are in their direct and immediate consequences likely to bring about results of contrary character. Planning and development with a view primarily to raising standard of living of the masses of the land are the keynotes of the avowed policy of Government. But instead of stimulating efforts for accelerating the process of such development the drastic changes in the taxation structure and policy as proposed in the measures outlined in the Budget will kill all initiative and enthusiasm and act as a damper on efforts for the rapid industrialization of the country.

The Budget is still dominated by the disproportionately high expenditure on Defence and Civil Administration. The extent of the burden imposed by these items may be gauged from the fact that whereas in 1938|39 the figures of Military and Civil expenditure stood at 46.18 crores and 38.97 crores respectively, the corresponding figures for the Budget year are 188.71 crores and 139.07 crores. Although it is now more than a year and a half since the termination of hostilities, the process of transition to a peace-time footing in our national expenditure has been very slow and tardy. The hope of securing a balanced and normal budget adjusted to the financial capacity of the country rests on the efforts to bring down expenditure under these heads to a peace-time footing. Committee therefore urge the importance of concentrating attention on this permanent aspect of the problem and re-inforce the case for a thorough scrutiny into administrative expenditure. Committee note that Government are proposing an *ad hoc* enquiry into this aspect, but feel that the new proposals should have awaited the result of the enquiry.

A redeeming feature of the new proposals is the abolition of the obnoxious tax on the poor man's salt. Mahatma

Gandhi by his historical Dandi March made this a national issue. The abolition of the tax is symbolical of the change in our political position and Committee share the sense of general satisfaction in this act of belated justice. Committee also approve the raising of the Income-tax exemption limit to 2,500 rupees. They would very much like that taking into account the present high cost of living it should be further raised to at least 3,000 rupees.

It is, however, in the sphere of the proposals for new and increased taxation that the Budget will cause the greatest controversy and bitterest disappointment in the country. The social justice for the general mass of the population of the land need not necessarily be achieved only by demonstrable injustice to a particular section of the community. Committee cannot help expressing their concern that the Hon'ble the Finance Member should have been carried away, no doubt, by exaggerated stories of accumulation of wealth in a few hands. At a time when the country is still in the throes of the rigours caused by inflation, when all-round shortages are causing the people of the land hardships of a serious character, when the discontinuance of war-time occupations and demobilisation makes the question of increased avenues for employment a pressing problem and when the shortage of productive capacity is making the process of re-adjustment difficult, Government are indeed adopting a short-sighted policy by coming in the way of a resurgence of a will to produce by making new enterprise almost difficult if not impossible. It is an acknowledged fact that direct taxation has a great deterrent effect on the enterprise particularly on production. During the period of the war, between the years 1938-39 and 1946-47, direct taxation in the country has risen from 21% to 67%. Even in countries like the U.S.A. and the U.K. which were supposed to have borne the burden of the war to a greater extent, the increases in direct taxation were appreciably less. In the U.S.A. it rose from 50% to 73% and in the U.K. from 56% to 64%. Committee, therefore, consider the proposals of the Finance Member for stepping up direct taxation as very short-sighted and not in accord with the trend of acknowledged scientific opinion on the subject. It is significant in this connection to mention that in the U.K. particularly there is a concerted move for reducing the incidence of direct taxation.

Committee would in this connection refer to the announcement made at the time of the Budget last year regarding the appointment of an Expert Committee which would "examine what adjustments or modifications of the tax system in the country as a whole would be required and

could from the practical administrative point of view be introduced in order to produce a properly balanced scientific tax structure fair in its incidence and adequate to the needs of a forward development policy without deterrent effect on initiative and private enterprise and with due regard to the administrative requirements for the prevention of tax evasion". Nothing further has been heard about this proposal. At any rate, instead of dealing with the problem in a scientific manner as envisaged above, the Finance Member has now brought forward proposals which certainly will have a deterrent effect both on initiative and enterprise. Committee earnestly appeal that in the long-term interests of the country, the Finance Member will be pleased to stay his hands and sweeping changes in the already distorted tax structure should be preceded by an expert and scientific examination of the kind promised last year.

Coming to the taxation proposals, Committee feel that the levy of a special Income-tax of 25% on business profits exceeding 1 lakh rupees is a step more rigorous than the war-time levy of the Excess Profits Tax. E P. T. was sought to be justified because of the special conditions obtaining during the period of the war. Its inappropriateness as a fiscal measure was also acknowledged when it was from the very start agreed that it should go immediately after the war. The E. P. T. at any rate was applicable only to profits above what was deemed to be standard and normal. Here the datum line of 1 lakh irrespective of the size and turnover of a business makes the incidence much more steep and inequitous. At any rate, the limit should be suitably increased and linked to the capital employed in business. In the case of industrial undertakings particularly the share values will go down leading to serious repercussions in the capital market. Similarly, the proposal to double the Corporation Tax is also against the accepted trends in taxation policy. In the U.K. Corporations have to pay only the basic income-tax, there being not even any Corporation tax. In fact, even in the industrially advanced countries, the general tendency has been to encourage joint-stock enterprise by making the burden of taxation on the same comparatively lighter. The most revolutionary and the least justified is the proposal to tax what the Finance Member terms as capital gains. The one immediate and direct result of any such step would be to discourage transactions in capital assets and to more or less restrict the free market and negotiability of shares and stocks. The analogy of the practice in the U.S.A. is irrevelant because the reliefs and allowances obtaining in that country are not available under the Indian Law. Moreover, our Income-tax system is modelled on the U.K. law

and practice and in the U.K. capital gains under similar circumstances are not taxed. The long-range consequence would be that capital would again become shy so far as industrial undertakings are concerned and go back to the traditional way of being locked up in lands, bricks and mortar. Thus, the Finance Member consciously or otherwise is letting loose forces which will stand in the way of the realization of the plans of reconstruction and development. The increase in the incidence of Super Tax by a proposal to re-adjust the limit will again reduce savings available for being ploughed back to industry and enterprise. The cumulative effect of all the proposals outlined by the Finance Member which incidentally are designed particularly against the industrial and commercial classes will without conferring any real benefit on the masses kill initiative and enterprise, retard industrial development and progress, make capital shy and thus result in letting loose forces and factors which will defeat the main purpose of planning, reconstruction and development. There is also the danger of migration of capital and shifting of industry and enterprise as a result of the attraction offered by lower tax burdens and obligations. A deficit of over 50 crores of rupees in a transactional year is not a problem of such tremendous magnitude as would justify such unorthodox and violent changes in the tax structure and policy. Committee are taking this early opportunity of placing before Government their general opposition to the new taxation proposals; they expect to follow this up with a detailed statement of views when relevant Bills are available.

Letter dated 11th March 1947, from Chamber to the Finance Department, Government of India.

I am directed by the Committee of the Indian Merchants' Chamber to forward to Government hereby their views on the Budget of the Government of India for the year 1947-48, with particular reference to the Taxation Bills giving effect to the proposals for new or increased taxation contained in the Budget.

On the 1st of March 1947, immediately after the Budget proposals were announced, my Committee had sent a telegram to the Honourable the Finance Member conveying their views in general on the Budget for the ensuing year and the proposals for fresh or additional taxation outlined therein. They had then pointed out that the drastic changes in the taxation structure and policy announced by the Finance Member would remove incentive, retard industrial development, make capital shy and delay the progress of planning, reconstruction and development. In particular they had stressed that such violent changes in the taxation

policy should be preceded by an expert scrutiny into the scope and incidence of the existing tax structure. They had further drawn pointed attention to the scope for reduction in the two major items of expenditure, viz. Military expenditure and Civil expenditure; in fact they were relieved to note that the Honourable the Finance Member intended to go into the question of the extent to which the expenditure under these heads afforded scope for reduction. This is a period of transition from war to peace economy and as such the Budget for the ensuing year is subject to drawbacks and limitations inevitable in a transition period. My Committee share the anxiety of Government that every effort should be made to cover the deficit anticipated in the Budget estimates, but they would emphasise that in a year of transition, a deficit of Rs. 57 crores is not a problem of such magnitude as to necessitate violent changes in the existing taxation policy and structure. The gap could, to some extent, be met by borrowing. It may not be out of place to mention that even Great Britain has yet to balance its Budget in a manner in which such balancing is understood in normal times.

My Committee here wish to assure Government that they are equally anxious that the first Budget of a National Representative Government should give adequate importance to the accepted considerations of financial rectitude. Their comments or criticism of the taxation measures should not, therefore, be understood as in the nature of any effort to run down Government; on the other hand, they are prompted by a genuine anxiety to see that Government take due note of the likely repercussions and so modify their proposals as to obviate difficulties and consequences of a practical nature. My Committee have followed the trend of the subsequent discussion, both in the Legislature and elsewhere, and they are grateful for the re-assuring statements explaining the views and intentions of Government. They are taking this opportunity of placing before Government certain suggestions and modifications, particularly in the proposals relating to new or increased taxation, so as to minimise, if not completely obviate some of the likely consequences of these changes to which they had drawn Government's attention earlier. Even if Government wish that the entire deficit should be covered by fresh or additional taxation and that no part of the deficit should be allowed to be carried over, it would be more in keeping with the requirements of the situation if that objective is achieved by a judicious combination of both direct and indirect measures of taxation. Direct taxation has a great deterrent effect on enterprise and particularly on production. During the period of the war,

direct taxation in the country rose from 21 per cent to 67 per cent. Even in countries like the U.S.A. and the U.K. which were supposed to have borne the burden of the war to a greater extent, the increases in direct taxation were appreciably less. In the U.S.A. it rose from 50 per cent to 73 per cent and in the U.K. from 56 per cent to 64 per cent. My Committee understand that efforts are being made in those countries for reducing the incidence of direct taxation. My Committee are mentioning these factors to emphasise that Government should not solely rely on proposals for direct taxation to meet the gap in the ensuing year between revenue and expenditure, but that the scope for raising additional revenue, through some measures of indirect taxation should also be explored. The views that they are hereinafter submitting on the specific proposals contained in the Taxation Bills are to be considered and examined in the background of the general considerations set forth in the above preliminary remarks.

1. Business Profits Tax Bill

The provisions in this Bill seek to impose a Special Income-tax on profits exceeding Rs. 1 lakh from business, professions and vocations. This is a measure which has a close resemblance to the E.P.T. obtaining during the period of the war, although some of the proposed provisions make the levy more rigorous. The E.P.T. was sought to be justified because of the special conditions obtaining during the period of the war. It was assumed that the war led to the earning of profits which were not normal and that, having regard to the obligations undertaken by the State on account of the war, it was reasonable that a substantial portion of those extra profits should go to the State for assisting it in the discharge of those obligations. The inappropriateness of such a tax as a fiscal measure was acknowledged when it was from the very first agreed that the levy should go immediately after the war. The E.P.T. at any rate was applicable only to profits above what was deemed to be standard and normal. In the case of the new Business Profits Tax, a standard of Rs. 1 lakh, irrespective of size, capital and turnover of a business, makes the incidence much more steep. It may be recalled that the Hon'ble the Finance Member acknowledged that, barring a few magnates, it is the middle classes who hold shares in Companies. By subjecting Joint-Stock Companies to payment of Business Tax, and not making any provision for refund as in the case of Income-tax, the Committee feel that the very persons who should be protected are deprived of their refund. This increasing tendency to impose non-refundable taxes hits the middle class and small

investors harder and harder. In this connection, it will be useful to point out that while in the United Kingdom the bulk of the taxes imposed on the Companies is refundable, the tax system in this country has been so devised as to make a substantial portion of the taxes payable by the Companies non-refundable. In effect, therefore, the incidence of the tax payable by or on behalf of the Shareholder is much higher in this country than in the U.K. This is a point which deserves serious consideration particularly when the interests involved comprise the middle classes. Having regard, however, to the assurance of the Honourable the Finance Member in the Legislative Assembly, that at present it was intended to tax business profits only for one year, my Committee have no desire, at this stage, to reiterate the above general objections, but would submit certain suggestions for modifications so as to make the operation of the tax less burdensome.

Clause 2 (15)

By the definition of taxable profits as included in the Bill, it is intended to tax all profits in a chargeable accounting period in excess of Rs. 1 lakh. In effect the provision amounts to this, that all assessees, irrespective of the capital employed by them and irrespective of the turnover and other factors operating in different kinds of business, would be allowed a fixed standard profit of Rs. 1 lakh and that any excess of profits over that amount would be liable to this special levy. It is common ground that a large section of the public has invested their small savings in public utility and other joint-stock enterprise and the fixation of a standard of Rs. 1 lakh irrespective of other considerations will, no doubt, result in many cases in affecting the return available for distribution to such small investors. My Committee, therefore, suggest that Government should take the above practical aspect of the matter into consideration and make necessary adjustments to relate the profits allowable as standard to the size and scope of a business by linking the same primarily to the capital employed in such undertaking. This could be achieved by following the provision and procedure adopted in connection with the E.P.T. Act and taxable profits for the purpose of the Business Tax should be arrived at on the same basis as Excess Profits were computed under the E.P.T. Act, and the provisions of that Act should apply for the purpose of this levy subject to the following modifications :—

1. That such profits should not be ascertained by reference to any standard period as under the old E.P.T. Act.

2. That the capital employed in the business should be computed in accordance with the Second Schedule to the E.P.T. Act and reasonable rates of return on such capital, at any rate not less than 7½ per cent per annum, should be allowed for the purpose of arriving at the taxable profits subject to a minimum standard of Rs. 1,00,000. Further, in the case of firms and private limited companies, in which the public have no substantial interest, an additional 2 per cent extra return should be allowed as under the E.P.T. Act before determining the quantum liable for Business Profits Tax.

Clause 4.

The rate of 25 per cent of the taxable profits proposed under this clause is very high. My Committee suggest that the same should be reduced to 12½ per cent arrived at on the basis which they have recommended.

Levy of the tax at a high rate of 25 per cent will seriously deplete the resources available for building up reserves and for distribution to the shareholders and/or partners and my Committee hope that Government will be good enough to agree to their suggestion for limiting the tax at this stage to 12½ per cent.

Banking Companies

As in the case of the business of life insurance, all profits of a banking company should be totally exempt from the Business Profits Tax. The business of Banking is on a footing entirely different from ordinary business and the scope for making extra profits is also extremely limited. Moreover, under the proposed Banking Legislation already on the anvil, Schedule Banks are by statute required to carry 20 per cent of the declared profits of each year to Reserves. The non-Scheduled Banks are even now required to make such an allocation. After making such an allocation for Reserves and after meeting the existing Tax liabilities in the shape of Income-tax and Corporation Tax, Banking Companies will not be in a position to pay anything like reasonable or normal dividends to the shareholders, if they are further required to pay Business Profits Tax of 25 per cent. Investments in shares in Banking Companies are distributed on a wide scale and a large number of investors, with small and moderate resources, have put their money in banking shares in the hope of a steady normal return. The levy of a Business Profits Tax on Banking Companies will seriously reduce the margin of profits available for distribution and will lead to repercus-

sions of a far-reaching character. My Committee, therefore, are strongly of the opinion that the business of Banking should also be excluded from the scope of this Tax.

Clause 7

Under this clause it is provided that any change in the person carrying on a business would result in the business being treated, for the purpose of this tax, as having been discontinued and a new one started. My Committee would, in this connection, suggest that an explanation should be added to this clause incorporating the instructions issued executively under the E.P.T. Act so as to provide that surviving partners shall be entitled to carry forward their share of deficiencies. It should, further, be provided that upon the death of a person his heirs, executors or administrators continuing the business should be entitled to the deficiency exactly in the same manner as if the deceased person was alive.

Clause 9

Under this clause Income-tax authorities are empowered in certain cases to aggregate the profits of an individual carrying on more than one business. This provision is likely to cause great hardship on individuals engaged in various business activities either alone or in partnership with others. My Committee submit that instead of a provision of this character, provisions similar to those obtaining under Sections 10 and 10A of the E.P.T. Act would meet the requirements of the situation and prevent artificial transactions seeking to reduce the burden of the tax. The provision in question under the E.P.T. Act would enable the Income-tax Officer concerned to make the necessary adjustments and aggregate profits in cases where, in his opinion, the main purpose of a particular transaction is the avoidance or reduction of liability to Business Tax. Alternatively, my Committee suggest the following changes:—

(*a*) The third proviso to Clause 9 should be deleted and instead it should be provided that no aggregation should be permissible in respect of a business carried on by a firm in which an individual is a partner if such a firm pays Business Tax on its profits.

(*b*) That the income earned by an individual as a sleeping partner in any firm should not be aggregated for the purpose of this Tax inasmuch as such income is treated as un-earned income under the Income-tax Act.

(*c*) The second proviso to the clause is of a very drastic nature and it should be deleted. There is no justi-

fication for shareholders of companies in which the public are not substantially interested, as defined in the explanation to sub-section (1) of Section 23A of the Income-tax Act, being treated as partners in a firm and their profits aggregated as proposed under the clause. Every such company having profits in excess of the standard laid down is bound to pay Business Tax. The provision relating to aggregation should apply in the case of an individual who is a partner in a firm only in case the firm as such is not assessed to Business Tax under the provisions of the Act.

Clause 13

The provision contained in this clause empowering the authorities to make provisional assessments is not at all justified under the altered circumstances. The procedure relating to provisional assessment was at first conceived as an anti-inflationary measure. The said conditions no longer operate and my Committee submit that in actual practice, the procedure has been found to cause serious hardship to those engaged in trade, commerce and industry. They, therefore, recommend that this provision should be deleted and the tax should be recovered only after assessments are completed.

Clause 18

The time allowed for rectification of mistakes should be extended to five years. Under Clause 14 Government have fixed the period for re-opening of assessments at five years. It is but fair that the same period should be allowed for rectification of mistakes also.

The Schedule—Rule 4

It is provided under this Rule that remuneration paid to Directors in the case of a company in which the Directors have a controlling interest shall not be allowed in computing the profits for the purpose of the taxation. Remuneration paid to Directors is an essential item of expenditure and it is extremely unfair to provide that the same should not be allowed as a deduction before determining the profits liable to taxation. In order, however, to obviate chances of excessive expenditure under this head, it is suggested that a section similar to the provision in Section 10(2) (x) of the Indian Income-tax Act may be included so as to give to the Income-tax authorities sufficient power to control payment of excessive remuneration to Directors or officers. The rule in its present form is very arbitrary and not fair and as such should be deleted.

Rule 5

This rule empowers the disallowance of expenditure which the Income-tax Officer deems as unreasonable or unnecessary. My committee are not convinced of the need for the same. After all the Income-tax Act contains adequate powers for preventing expenditure which is either abnormal or excessive and there is no need for a special provision of this character. My Committee suggest that the rule be deleted.

Bill to amend the Indian Income-tax Act and the E.P.T. Act (Capital Gains Tax)

The main object of this Bill, as announced by the Hon. the Finance Member, is to include in the Indian Income-tax Act provisions enabling Income-tax to be levied on a profit or gain arising from the sale, exchange or transfer of a capital asset. This is an entirely new form of taxation. My Committee are aware that such gains and profits are taxed only under the taxation system obtaining in the U.S.A. They would, however, point out that the conditions in the two countries are not similar. In the first place, there is considerable disparity in the stages of development as between India and the U.S.A. What may be suitable for a highly industrialised, advanced and prosperous country like the U.S.A. cannot, as a matter of course, be deemed as suitable for a country like India. Moreover, it is relevant to point out that the Indian Income-tax law is mainly modelled on the basis of the Income-tax law obtaining in the U.K., and in the U.K. capital gains under similar circumstances are not liable to taxation. If, however, in order to meet the financial exigencies of Government at the present moment, such a special tax is deemed unavoidable, my Committee suggest that it should be treated on an entirely separate basis. Capital gains should not be treated as income for the year to be added on to the assessable income for the purpose of taxation under the Income-tax Act. A separate taxation measure should be introduced for imposing the new tax and such a change is particularly necesary and desirable because in most cases capital gains are of a non-recurring and casual character, with the result that if they are amalgamated with or aggregated to the income for the purpose of Income-tax in a particular year, there would be an arbitrary pushing up of the rates of taxation. With the existing high rates of Super-tax such a consequence is likely to cause serious hardship and it is particularly with a view to obviate any arbitrary or unjustified pushing up of the rates in a particular year that my Committee are suggesting that the Capital Gains Tax should be treated as a separate item of taxa-

tion under a different Statute unconnected in any manner with the Income-tax Act. Subject to their above suggestions which are of a fundamental character, they would like to make the following comments on the provisions of the Bill in its present form :—

Clause 2

My Committee suggest that industrial plant and machinery sold or disposed of during the course of carrying on the business should be excluded from the scope of the definition of " capital asset ". My Committee are strongly opposed to the very idea of taxing gains on the sale of machinery and plant. It is felt that to tax gains on such capital asset would impede the renovation of industrial plant and machinery so as to facilitate expansion of industrial undertakings.

Further, capital asset acquired at least five years before the date of sale, transfer or exchange should be excluded from the operation of the tax.

By Clause 2 (*b*) of the Bill it is proposed to make accumulated capital profits, now exempt from taxation, liable to tax if they are capital gains of any previous year prior to the previous year for the assessment year 1947-48. My Committee suggest that distribution of capital gains by a company on which Capital Gains Tax has been paid by the company should not be made subject to Super-tax in the hands of the shareholders if the capital, in respect of the asset, was acquired by the company two years before the date of sale.

Clause 6

Capital gains are, under the clause, deemed to be income of the previous year in which the sale, exchange or transfer takes place. The first proviso, however, prescribes that if the amount of the capital gains does not exceed Rs. 5,000 the same will not be included in the assessee's total income. This limit of Rs. 5,000 is extremely inadequate. In order that personal transactions, which are not primarily made with a view to making profits in a particular year, may not be attracted by the tax, my Committee submit that the limit should be raised to Rs. 25,000 and this quantum of Rs. 25,000 should be entirely tax-free. It is necessary to raise the exemption limit to Rs. 25,000 so as to exclude from the scope of the tax transactions of a personal character particularly of people with moderate resources. It is also necessary to exclude from the tax, capital gains made by an assessee in respect of a compulsory sale, transfer or exchange, as for example, in respect of property acquired under

the Land Acquisition Act, or by the exercise of an option by any Government or Local Authority or the compulsory conversion of Government Securities or repayment of loans by Government or semi-Government authorities and undertakings. Such capital gains are of an accidental nature. If the assessee had the choice, he would not have liked to make the sale or transfer. Municipalities, Local authorities and other public bodies may, by exercising their option, take over public utility undertakings like Electric Supply Companies, etc., and pay back the agreed value to the shareholders of such undertakings. Under such circumstances of enforced sale, the levy of the Capital Gains Tax would not at all be justified. Similarly, Securities when they mature or are redeemed in pursuance of Government's financial policy, the adventitious accretion in the year of redemption should not be deemed as capital gain in the year liable to taxation.

Transfers from an individual or partnership firm to a private company, where the consideration is paid for by the issue or allotment of fully paid-up shares of such a company, and transfers by principal companies to subsidiary companies or *vice-versa*, should also not be treated as sale or transfer for the purpose of the Act and the gains, if any, under such circumstances, should not be attracted by the Capital Gains Tax.

The proposed second proviso to the new Section 12-B should also cover distribution of capital assets on the division amongst his heirs to property left by a person dying intestate as also any *realisation* by sale of property for purposes of distribution in connection with partition of a Hindu undivided family. Similarly the words "on the liquidation of a company" occurring in the proviso should be amplified by the inclusion of the words "or reconstruction or amalgamation of the company" so that distribution of capital assets on reconstruction or amalgamation is also not attracted by the tax. My Committee suggest the addition of a further provision so as to exclude premium received by a company on the issue of new capital or sums received from an Insurance company in settlement of a claim for destruction or loss of property from being treated as capital gains for the purpose of the tax.

Clause 7

By this clause it is proposed to include capital gains arising in Indian States as income for the purpose of the Capital Gains Tax. My Committee are unable to appreciate the justification for this departure. Having accepted the remittance basis for purposes of taxation of income arising in Indian

States, it is extremely unfair that liability to tax should now attach on accrual basis so far as the capital gains levy is concerned. My Committee have no desire to trace the successive changes which were rendered necessary in connection with the taxation of income arising in Indian States. They submit that in the light of the past experience in the matter and on the basis of the existing provisions of the Indian Income-tax Act, capital gains accruing or arising in Indian States should not be subjected to tax unless such gains are brought into British India or are assessable under Section 42 of the Income-tax Act.

Clause 8

My Committee are strongly opposed to the levy of Super-tax or Corporation Tax on capital gains. It is extremely unfair as capital gain is not income of a recurring or normal nature. It is particularly with a view to avoid any such contingency that my Committee have urged that capital gains levy should be treated as an entirely different item of taxation.

Clause 10

My Committee are strongly of the view that capital losses made in any assessment year should equally be allowed to be set off against income made in the same year from other sources and the resulting position should be liable to taxation. If the net result is a loss, the same should be allowed to be carried forward and set off in subsequent years against profits of such years, without distinction, as to the source of such profits, capital or otherwise as proposed in the Bill.

My Committee have suggested the raising of the exemption limit to Rs. 25,000. This would involve that only capital losses of over Rs. 25,000 should be allowed to be carried forward.

Clause 13

The explanation to Section 43 of the Indian Income-tax Act proposed by the clause provides that a person to whom a non-resident sells his asset in British India can be treated as the agent of the non-resident under certain circumstances. This provision is very unfair and will lead to serious consequences. It is conceivable that in the year 1946 persons ordinarily resident in British India might have acquired assets from foreigners who have subsequently left British India and as such are no longer amenable to the provisions of the Indian law. Under such circumstances, the purchaser

has no means at all of recovering the amount of the tax from such foreigners. Moreover, by no stretch of imagination can the purchaser be deemed as the agent of the seller. My Committee therefore suggest that even if the notice of assessment is served on such a purchaser, the assessment ought to be made only on the foreign seller. Government should not, at all events, recover the tax from the purchaser if they were satisfied that there were no means of recovering it from the foreign seller who has really made the capital gain. Even if the purchaser is to be treated as the agent, the provision should come into operation on purchases effected after April 1947, so that purchasers could be deemed to have had adequate notice of their obligation and would be in a position to retain amounts sufficient to discharge the tax liabilities before payment of the purchase price.

The Indian Finance Bill, 1947—Super-tax rates.

My Committee do not wish to examine in detail the provisions in the Finance Bill except in the matter of the changes made in the rates of Super-tax. By a reduction of the limits and by a stepping up of the slabs, the incidence of this tax has been made very steep. The result will be that the incentive to earn and to save will, to a large extent, be removed and consequently private savings available for being ploughed back as investments into industry and enterprise will receive a serious set-back. My Committee, therefore, earnestly submit that the maximum slab and rate for purposes of Super-tax should be applicable in the case of earned income at Rs. 4 lakhs and in the case of un-earned income at Rs. 3 lakhs. This would necessitate readjustments of the slabs and the rates correspondingly.

My Committee are also opposed to the further restrictions proposed under the Bill in the sphere of distribution of dividend. There is no reason to fear that disproportionately excessive dividends will be declared. The freedom of companies in the matter of declaring such rates of dividends, which they may deem as fair and proper, should not be interfered with in the manner proposed in the Bill. It is relevant to point out that in the case of a large number of joint-stock enterprises the savings of the smaller man have been invested in the form of shares and if their expectations of a fair rate of return are not realised, there will be a check in the flow of capital and investments in shares of joint-stock undertakings. My Committee, therefore, submit that the provisions in the Finance Act, 1946, should be continued so far as the rates of Corporation Tax are concerned.

The Taxation on Income Investigation Commission Bill.

My Committee would also like to refer to the proposal for setting up a Commission to investigate into matters relating to taxation on income. They share the anxiety of Government that every effort should be made to prevent tax-evasion by questionable means. They, however, feel that the provisions in the Bill are of a very drastic nature. It is feared that it will result in harassment of assessees and the process and procedure of Enquiry contemplated will turn out to be an instrument of oppression. My Committee seek a re-assurance that the Enquiry is contemplated only in exceptional cases where Government are satisfied that a *prima facie* case of tax-evasion has been established. Moreover, the Enquiry should be limited to assessment years after 1939-40. My Committee further suggest that the duration of this Act should also be limited and this special machinery and procedure should be abolished as soon as Government has achieved the underlying object. In any case, the Enquiry should be conducted on accepted principles of jurisprudence and there is no justification whatsoever for relaxing the requirements laid under the Evidence Act. After all the Enquiry may result in penal action being taken against the party concerned and it is but fair that such action should not be based on evidence which has not stood the rigid test of the standards laid down by the Indian Evidence Act. Similarly, the point whether the party concerned is to be allowed to be represented by a pleader should not be left to be decided by the Commission. All the normal facilities available in judicial proceedings should be equally available for this purpose. My Committee are particularly anxious that Government should give clear instructions that the machinery of the Commission and the procedure relating thereto is not intended to be used for the purpose of making fishing enquiries against assessees but that the Commission should investigate into cases where there is *prima facie* evidence of tax-evasion or under-assessment.

My Committee hope that Government will be pleased to give their sympathetic consideration to the suggestions and views put forward herein and to make the necessary changes and modifications in the proposals and provisions in the various Bills above referred to.

Telegram dated 26th March 1947, from Chamber to the Hon'ble the Finance Member, Government of India.

Committee, Indian Merchants Chamber, consider that Business Profits Tax even after amendment as proposed will hit industries, hamper production and militate against starting of new industries. Committee, however, want to submit

that so far as premium on shares received by companies which have issued new capital is concerned, it should be treated as capital for purposes of six per cent abatement. Such premium on shares is credited as separate reserve and evidently as it is subscribed by shareholders it cannot bear tax. If such premium is not included in capital it will hit companies which have got such premium very hard. Moreover if such premium is locked up as investments, amounts of such investments will be deducted and that will further hit such companies. Premium on share should therefore be allowed to be included in capital on which abatement at six per cent is to be considered. Amount of contribution to be given by Government in connection with E.P.T. Deposits should not be included in income assessable for Business Profits Tax. Such inclusion will be contrary to contractual obligations already undertaken by Government. Additional reserves such as Catastrophic, Conflagration Reserves of General Insurance Companies and fleet replacement reserves of shipping companies which lost ships during the war should be allowed to be counted as capital for purposes of six per cent abatement. Committee consider all the above submissions as not only equitable but quite essential in the interests of companies as such amounts are invested in business. Committee will be grateful if issues herein raised receive your favourable consideration and necessary action.

APPENDIX 22

Railway Budget for the year 1947-48

Telegram dated 18th February 1947, from Chamber to the Hon'ble the Member for Transport, Government of India.

The Committee of the Indian Merchants' Chamber, Bombay, have carefully considered the speech made by the Hon'ble Member for Transport while presenting the Railway Budget for 1947/48 in the Central Legislature.

The revised estimates for 1946/47 reveal an increase of Rs. 29 crores in the Traffic Receipts being largly due to the remarkable upsurge in civilian passenger traffic. As against this the working expenses register a steep rise exceeding the Budget Estimate for 1946/47 by Rs. 33¼ crores, thus reducing the budgeted surplus to 8 2|3 crores, out of which 5.61 crores will go to the General Revenues, 3 crores to Betterment Fund and only a meagre sum of 3¼ lakhs to Railway Reserve. The Budget for 1947/48 estimates the gross Traffic Receipts at Rs. 183 crores, a fall of 23 crores from the revised Estimates for 1946/47 on the basis of the existing

rates and fares and the ordinary Working Expenses at 135½ crores, less by 23½ crores from the Revised Estimate. The total Working Expenses will be 152.4 crores, after adding the appropriation to Depreciation Fund and payments to worked lines, leaving the net Traffic Receipts at 30.56 crores. Adding the net miscellaneous receipts of 2.95 crores, the total net revenues will stand at Rs. 33.51 crores, which after deducting the interest charges expected to be at 26.58 crores, will leave a surplus of approximately Rs. 7 crores. As against the available surplus of Rs. 7 crores the Government have fixed the contribution for the General Revenues at Rs. 7½ crores and the estimated appropriations to the Betterment Fund and the Railway Reserve are put at Rs. 5 crores each, making the total for the requirements of contribution at Rs. 17½ crores. It thus creates a gap of Rs. 10½ crores. The Railway propose to meet this gap which they say is not likely to be lessened in the near future, by an enhancement in the level of charges for both passengers and merchandise, yielding Rs. 4¾ crores from the passenger traffic and 5¾ crores from freight rates on merchandise traffic.

While Committee fully appreciate the vast magnitude of the legacy left over by the previous irresponsible regime to the Interim Government and the major difficulties arising out of the general unrest and the unsettling effects of political changes, they are constrained to remark that the progress made in respect of rehabilitation and development consequent upon the process of reconversion from war to peace conditions has been slow. Vast surpluses earned during the war-time, 1939-40 to 1945-46, to the tune of Rs. 235 crores have been distributed to General Revenues Rs. 194 crores (arrears and fresh contributions) and to other funds, without building adequate reserves as recommended by the Wedgewood Committee as early as 1937. It was expected that the new set-up at the Centre even during the short period at its disposal would have introduced a dynamic re-orientation in the traditional railway policy, but Committee are disappointed in this respect. It is extremely unfortunate that the country is still in the grips of an inflationary spiral with the inevitable repercussions on the price and wages structure which has been largely responsible for the present labour unrest. This has indeed created an extremely difficult situation for the railways who have to face the prospects of the falling volume of traffic and consequently a steep decline in the revenues on the one hand and the operating costs obstinately remaining constant and even threatening to register a further rise. The country can no longer view the problem with any sense of equanimity and it should be the supreme duty of Government to devise ways

and means and promptly combat the inflationary forces which have engulfed the whole economy. Committee cannot reconcile themselves to the policy of Government in checking the inflationary tendency at the wrong end by treating the increase in the passenger fares as deflationary in effect instead of attacking the problem in a comprehensive manner. Committee welcome the proposed experiment with the new type of telescopic class rate applied on a continuous mileage basis to manures, oilcakes, bone-meal (for manure) as a step in the right direction and they hope that this experiment will assist in the work of revision of the entire rating structure, so as to meet the pressing needs of trade and industry. It is earnestly hoped that the Standing Committee of Railway Rating experts will expedite their investigations and evolve a national rating policy in the minimum possible period. Committee feel gravely concerned at the proposed increase of 6¼% on the present level of passenger fares above and below Re. 1 and the rise in the level of freight rates for many of the special and station to station rates now prevailing. They feel that Government should have awaited the findings of the Rating experts, before making the above increase. They would urge that items of food and fodder should be entirely exempted from proposed increase in view of acute situation prevailing in the country. In this connection Committee would like to recall the fact that the rates and fares over the Indian Railways have been increased from time after time as many as four times during a decade since 1932. It was further understood that the surcharge of 12½% on the goods tariff and 6¼% on passenger fare imposed in the beginning of the war was of a temporary character. At a time when the country would naturally expect some relief from the war-time increase in the rates and fares, for encouraging the nascent industries and meeting the legitimate demands of rapid industrialisation, they view with apprehension the prospects presented by the situation, which the Hon'ble the Transport Member describes as one in which "decline in railway revenues is inevitable" and the "gap" created by the rise in operating costs is "not likely to be lessened in the near future". Committee do not feel sure whether the remarkable upsurge in passenger traffic witnessed last year will decline as rapidly as expected and in view of this, consider that income from the gross traffic receipts put at Rs. 183 crores for 1947-48 as an under-estimate. They strongly urge that increase in the passenger fares is hardly the right measure to break through the vicious circle of inflationary spiral, leading to higher wages and higher cost of materials and etc. cumulatively resulting in the higher and higher level of operating expenses.

Committee during war years strongly objected to any attempts at raising the passenger fares on the ground that the railways, the largest nationlised industry of the country, have failed to discharge their obligations to their best patrons, the Third Class passengers, who contribute on an average nearly 96.1% of the total Traffic and constitute approximately 80% of the total earnings from the passenger traffic. It is hoped that since the accredited representatives of the people are now in charge of the Interim Government, they would take all possible steps to remove the long-standing injustice done to this class in respect of amenities and facilities.

Further, if the present inflationary trends are not arrested, it is apprehended that the continuous increase in freight rates, however small the incidence of the present increase, will not only retard the development of nascent industries, but will tend to become an inflationary factor by bringing about a rise in the prices of commodities. Besides, Committee respectfully differ from the view that the very high level of prices prevailing at present warrants a rise in the rates and fares. It is extremely controversial whether the fluctuating level of prices should be the chief determinant in the fixing of rates and freights. It would be generally accepted by all that the rates should not only be just and reasonable, but due regard must be paid to the efficient and economic management of the transportation services before any enhancement is contemplated. Judged by this criterion, the Railway administration must be said to have failed. Committee are constrained to remark that during the war years the finances of our great national asset have been managed in an imprudent and extravagant manner, inasmuch as inspite of the huge surpluses of war-time, no provision was made for the lean years following the years of peak profits, which any wise administration could have reasonably anticipated. Committee are aware that the present Interim Government have no share in the responsibility and that they have been confronted with a *fait accompli.* However, it is urged that every effort should be made to explore the large scope that exists for the elimination of wasteful or uneconomic expenditure consistent with the strength, stability and efficiency of the services. It is hoped that Government would completely overhaul the present system of railway finances having an extremely high proportion of general administration cost.

Committee further note that the provision has been made in the Budget for 1947/48 for railway investments in road services during the budget year to the extent of Rs. 151 lakhs arising out of their financial participation in the

rail-road co-ordination schemes and it is expected that about Rs. 76 lakhs will be required for investment in the road transport nationalisation schemes of U.P., Bombay and Sind. While Committee appreciate the necessity of evolving a co-ordinated scheme of healthy development which may afford the millions of India every-increasing facilities in free movement and maximum comfort, they cannot agree to the schemes of nationalisation of road transport formulated by various Provinces as best calculated to achieve the objective. At a time when the railways as the national assets have to carefully look into their own financial position and devise ways and means of all-round economies with a view to meet the difficult post-war situation it is doubtful whether it would be advisable on the part of the Railways to commit themselves to schemes of financial participation in such projects of nationalisation of Road Transport. Besides, it is a moot point whether the various schemes which will confer on the railways a virtual monopoly of traffic over 100 miles both in regard to passengers and freight, will subserve the best interests of the users of transport, inasmuch as they deprive them of their freedom to choose a more economic and efficient mode of transport under a competitive system. Committee, therefore, find it difficult to approve of such financial undertakings.

Committee, however, appreciate the steps which Government propose to take for effecting economy in expenditure in all possible directions, and to that end, though belated, a reference to the Indian Railways Enquiry Committee, to suggest ways and means of securing improvement in net earnings by economies in all branches of Railway Administration. It is further learnt that the Railway Board are also seeking to evolve a technique of tightening of the machinery of control over railway expenditure better suited to the needs of a commercial department like the Railways and have rearranged the structure of the demands for grants with effect from the Budget for 1947-48 as a step in that direction. The Committee also note that an exhaustive investigation has been carried out relating to the replacement of various classes of railway assets and tentative conclusions have been reached as to the appropriate figures for the lives of the various classes. It is expected that the available data will provide a scientific basis for the annual contribution to the Depreciation Fund instead of the present rough-and-ready ratio based on considerations of expediency. It is also imperative that Government undertake to review the whole question of the Railway Separation Convention which the Committee hold has hitherto proved to be unduly liberal in respect of contributions to the General Revenues. It is a matter of satis-

faction that Government propose to institute an enquiry so as to be able to commence work before the next session of the Legislature. The Committee are happy to note that the proposals for overhauling the Railway Finances are inspired by a genuine national spirit and confidently hope that the efforts will yield fruitful results in near future.

Committee note that the Railway have budgeted for a Works programme of Rs. 50 crores which is expected to provide for the beginning of construction at the Kanchrapara Locomotive manufacturing plant, the re-modelling of a large number of stations and substantial increase in the Coaching stock for the lower classes. The crucial problem has been the incapacity of our railway system to cope up with the increased demand both from passenger and goods traffic. Even at present, a great deal of hardship is experienced by the goods traffic in respect of wagon facilities with the result that large stocks remain accumulated at Port stations. In this respect, Committee express dissatisfaction at the rate of release from the Defence Department and the new wagons being made available. Committee urge expediting facilities in respect of both coaches and wagons so as to increase the free movement of passenger and goods traffic.

Telegram, dated 26th November 1947, from Chamber to Hon'ble Dr. John Matthai, Minister for Transport, Government of India.

Committee Indian Merchants' Chamber have considered the Railway Budget of the Government of India for the period of the current financial year after 15th August 1947 and the statement of the Honourable Minister for Communications while presenting the same to the Indian Constituent Assembly functioning in its legislative capacity. This supplementary Budget has mainly been necessitated by the constitutional changes following the Indian Independence Act. Naturally enough, the factors resulting from the Partition of the country into two Dominions have affected and influenced the budgetary position. My Committee have no desire at this stage to make any observations regarding the valuation of the Railway assets as between the Indian Dominion and Pakistan as obviously this issue, failing agreement between the two Governments, has now to be decided by the Arbitral Tribunal.

On the basis of the altered position consequent upon Partition and the revised figures disclosed in the Supplementary Budget, the financial year is expected to close with a deficit of over Rs. 12.38 crores. Special factors like the implementation of the Central Pay Commission's Recommendations, rise in commodity prices and increase in price of coal have contri-

buted to pushing up working expenses to a substantial extent. Government propose to bridge the gap between revenue and expenditure resulting mainly from the above developments by the facile expedient of stepping up rates and fares. It is somewhat disconcerting to the public as users of the railway that after a period of prosperous working stretching over a period of seven years, during which railways have contributed a sum of not less than Rs. 194 crores to the General Revenues of the Country, even on the slightest impact of adverse conditions, they should be called upon to bear disproportionately high increases in the charges, both for passenger and goods traffic. While my Committee are no less anxious that the railways as a commercial undertaking should be worked on commercial principles, they venture to suggest that after a period of successive surpluses aggregating to Rs. 235 crores during the last seven years the prospect of a deficit of just over Rs. 12 crores during the current financial year, should not have been deemed as a matter of such momentous significance as to necessitate, all of a sudden, increases in rates and fares on a steep scale, to almost make up the deficit. On the other hand, a High Power Committee was appointed at the time of the last session of the Legislative Assembly to go into the entire field of Railway Finance with particular reference to the question of economies in expenditure. Similarly, detailed investigations are at present proceeding in regard to the question of the simplification of goods tariff and a revision of the existing goods rates. It was reasonable to expect that before making far-reaching changes in the rates structure, Government should have awaited the result of the above scientific examination. At all events, a deficit of Rs. 12.38 crores in the current financial year was not a problem of such a magnitude as to justify such steep increases in the charges in the middle of the year.

Coming to the details of the changes proposed, Committees cannot help pointing out that the increase in the passenger rates for the Upper Class travel, viz : from 18 pies to 30 pies for First Class and from 9 pies to 16 pies for Second Class per mile in the basic rates, seems to have overstressed the theory of capacity to bear. Committee cannot help sounding a note of warning that such steep increases cannot but have a regressive effect on travel leading ultimately to a diminution in the overall revenue. The proposal to increase Third Class fares from 3.6 pies per mile to 5 pies for mail trains and 4 pies for ordinary trains, besides involving a heavy burden on the poorer sections of society, will inevitably push forward the cost of living in the country. The increases in the Season Tickets are bound to evoke

strong criticism. In regard to increases in rates generally and those on coal and iron and steel in particular, the inevitable result will be that there would be an all round increase in the cost of production and consequently in the prices of all goods. The inflationary effect of these changes cannot be minimised at a juncture like the present.

APPENDIX 23

Budget of the Government of Bombay for the year 1947-48

Statement issued by the Committee of the Chamber on 26th February 1947.

PRESS-NOTE

Statement issued by the Committee of the Indian Merchants' Chamber on the Budget of the Government of Bombay for the year 1947/48 :—

"The Committee of the Indian Merchants' Chamber have carefully considered the statement of the Honourable Mr. Vaikunt L. Mehta, Finance Minister of the Government of Bombay, presenting the Budget estimates of the Province for the year 1947/48. It is indeed a matter for satisfaction that the first Budget presented by a Popular Ministry, after a break of over 8 years, should attempt to project a new vision of the future for the people of this province. Apart from the fact that the Budget for the next year would be self-balanced and that there will be no need for increased or additional taxation, the Committee are happy to note that the budget proposals are animated by a new ideal and inspired by a re-orientation in outlook and policy. At a time when the people of the province, in common with the rest of the country, are still confronted by numerous difficulties of a transitional character, accentuated by the persistence of inflationary conditions and the distorted pattern of our economic life, it is refreshing to find the Finance Member coming forward, with courage and conviction, with a plan and programme for tackling the most difficult task viz : organising "the resources of the Province so as to feed, clothe and house its population satisfactorily in future, and to afford some immediate relief to the distressed sections, at the present time." The common man can now hope that earnest efforts of the Popular Ministry will result in easing the conditions of stress and strain under which he has been labouring all these years.

The Committee note that Government besides the several protective measures which they have adopted, propose to strengthen the drive for augmenting our food resources, by

means of a programme of major and minor irrigation works, adequate measures to prevent the sub-division and fragmentation of land and steps to promote all forms of co-operative endeavour in the sphere of credit, supply, marketing, crop protection, irrigation and better farming. While appreciating the move of Government in the direction of increased agricultural production, Committee hope that Government will see their way to fully avail themselves of the knowledge and experience of the existing normal trade channels, under suitable safeguards for the purpose of storage, handling and distribution of such products. Likewise, it is hoped that Government will undertake adequate measures for meeting the deficit in available supply of cloth in the light of the findings of the Committee of Enquiry appointed for the purpose. Equally urgent is the necessity for solving the acute shortage of housing accommodation prevailing in the province and in this connection Government should do all in their power to overcome the bottle-neck of the supply of building materials for civilian purposes. It is also gratifying to note that Government have created a Ministry for Housing for the purpose and propose to undertake a programme of direct construction as well as assist housing programmes for civilian requirements.

It is in the sphere of post-war reconstruction programme that Government, by overhauling the programme of the Section 93 Government in respect of administrative machinery, methods of financing and the priorities given to the basic requirements of the people of the province, have revealed a sense of constructive statesmanship and a breadth of outlook in their approach. Besides the top priority given to the scheme for the supply of water to the villages and to the increase of food supply by both intensive and extensive agricultural development, Government have rightly attached importance to education which will involve an expenditure of Rs. 16.84 crores as against Rs. 3.50 crores proposed in the original Plan. Mention must also be made of the items to Public Health including medical and miscellaneous (including industrial schools, minor industries, labour welfare etc.) for which have been allocated Rs. 10.5 crores and Rs. 8 crores respectively as against 3.50 crores and 1.50 crores under the previous plan. There can be hardly any doubt that liquidation of illiteracy and the improvement in conditions of public health and other allied nation-building activities will substantially contribute to the amenities of an enlightened and cultured social life.

While there will inevitably be some difference of opinion as to the suitability of nationalisation as a policy, both on ideological and practical grounds, Committee welcome the

refreshing candour of the Finance Minister in acknowledging the practical difficulties inherent in any attempt at implementing immediately a programme of nationalisation of industries and undertakings in the province. The Finance Member has indeed shown a realistic attitude when he takes note of the limiting factors such as the inadequacy of the present administrative machinery to shoulder the task, the paucity of technical personnel and the limitations of an economic and financial character."

APPENDIX 24

International Conference on Trade and Employment—proposed Tariff Negotiations between Member-States of the Preparatory Committee

Letter No. 664, dated 17th March 1947, from Chamber to the Department of Commerce, Government of India.

The Federation of Indian Chambers of Commerce and Industry has drawn the attention of my Committee to the proposal of Government to submit to the authorities a provisional list of commodities in respect of which the Government of India intend to ask for reduction in Customs Duties from the various Member-countries constituting the International Conference on Trade and Employment. My Committee have gone through the list. At this stage, they would like to place before Government certain general suggestions which should be borne in mind in connection with the further stages of the work of the Conference particularly on the desirability or otherwise of India asking for any kind of tariff concessions from other Member-countries.

2. At the meeting of the Preparatory Committee of the Conference held in London, the representatives from India had pressed the claims of under-developed countries for freedom to use all forms of protective measures for ensuring their economic development and progress and for assisting their industrial development. It is still not clear as to the extent to which the above special claim will be recognized by the Conference and the form in which the rights would be safeguarded in the proposed Charter. In any case, India cannot afford to give up the above rights and as such she should not, at this stage, commit herself to any reciprocal obligation by demanding from other countries reductions in tariff rates.

3. It is also significant to point out that an agricultural and an under-developed country like India will have strategically a very weak position in the matter of negotia-

tions for tariff reductions. Our tariff rates are low and moderate. A good many of the items in the Tariff Schedule are Revenue Duties. The country will, therefore, find itself in an extremely embarrassing position when she is confronted with reciprocal claims for reductions in the Indian Tariff or atleast for assurances against future increases. The matter should be left open and my Committee strongly feel that the Government of India should not, at this stage, ask for any concessions as such a course is likely to create a corresponding demand for reductions from other countries as bargaining counters in the process of negotiation.

4. The final outcome of the next stages of the International Conference should be awaited and the attitude which this country is to adopt in regard to the scheme of the Conference and the proposed international organization should be decided at a later stage in the light of the extent to which the needs and requirements of under-developed countries are specifically recognized and safeguarded in the purposes and objectives of the organization.

Telegram dated 8th May 1947, from Chamber to the Department of Commerce, Government of India.

In their communication dated 8th June 1946 submitting their views and suggestions regarding International Conference on Trade and Employment, Committee Indian Merchants Chamber had urged need for more vigorous and effective steps against restrictive business practices such as cartels, combines or agreements of fix prices, divide markets, limit production, suppress technology or invention etc; the proposed International Trade Charter should aim at complete abolition and elimination of such restrictive practices; international cartels and conbines prevented growth of industry in countries which were industrially backward; they limit trading, discourage competition, raise prices and retard development in new areas; the Indian Delegation should therefore be specifically instructed to secure acceptance at the Preparatory Committee for complete withdrawal of all such practices and arrangements. Committee hope that Honourable Commerce Member of Government of India who is leading Indian Delegation would be good enough to give above points his personal attention while at the Conference.

APPENDIX 25

Scheme for Constitution and Function of a Autonomous Association of Accountants

Letter No. 1661, dated 25th June 1947, from Chamber to the Department of Commerce, Government of India.

I am directed to refer to your letter No.10-A(11)/46 dated the 24th April 1947 forwarding a copy of a tentative scheme regarding the constitution and functions of an autonomous Association of Accountants and in reply to send to you hereby the views of the Committee of the Indian Merchants' Chamber on the provisions thereof.

At the outset, my Committee would like to point out that after the scheme was circulated for eliciting public opinion there have been significant developments in the constitutional sphere. The scheme was based on the assumption that for purposes of measures necessary for regulating the profession of accountancy India would be deemed as a single unit. It is conceivable that in the common interests of the different parts constituting India in the altered context of affairs, steps of a practical nature enabling co-ordinated action in spheres of common activities would be evolved. The feasibility of the proposals outlined in the scheme under reference for having an autonomous organization of accountants for the whole of India will, no doubt, in a large measure be conditioned by the extent of the success of efforts for evolving a common method of approach in dealing with problems of the above character. My Committee are mentioning this here in order to point out that unless it is generally agreed that India as a whole would be treated as one unit for the purpose, the provisions in the scheme will require modifications in several essential directions. For instance, the draft scheme includes representation for Accountants in the Native States of Hyderabad, Mysore, Travancore, Cochin, etc. in the different regional allocations. There is similarly representation for certain special interests. These representations have obviously been based on the assumption that the control and administration of this question would be vested in a single authority. The final scheme, however, may have to be re-adjusted to the actual state of affairs as it emerges in the matter of the constitutional and administrative arrangements so far as these and other similar problems are concerned.

My Committee are one with Government in their desire to enhance the status of the Accountancy profession in India and to secure the establishment of an autonomous Association of Accountants which would be in a position to assume full

responsibility for regulating the affairs of the profession, maintaining the requisite standards of professional qualifications, efficiency and discipline. Such an autonomous body should aim at developing and maintaining a high standard of professional integrity for accountants in India. Joint-stock enterprise in this country has still much leeway to make. A healthy and organized accountancy profession is an essential pre-requisite for a more complete success of the system of organizing business undertakings through the medium of joint-stock enterprise. My Committee would, therefore, welcome every effort for strengthening the accountancy profession and for enhancing its status and position in the organization of commerce in the country.

The proposals outlined in the scheme, however, do not carry the profession far in that direction. While in the explanatory remarks Government have claimed that they are anxious to develop the profession into an autonomous unit, the provisions in the proposals and in their different details do not work upto to that process. On the other hand, the composition and constitution suggested for the Board detract from the autonomous character of the body. It is proposed that the new Board, which obviously would be the Executive Authoriy for the new body, would consist of 25 members, 13 elected and 12 nominated. The Board would derive its authority from the Auditors Certificate Rules by the rules being amended to give effect to the changes proposed. The Board would discharge the present responsibility undertaken by Government of maintaining a Register of Accountants, fixing qualifications and fees, prescribing standards for examination etc. Government would, however, continue to retain powers in respect of removal of names from the Register and hear appeals by any aggrieved person of any decision of the Board. From the limited nature of the scope, functions and powers and the proposals governing the composition of the Board, under which a preponderating number would be returned by nomination, and by Government reserving to themselves powers on matters relating to removal of names from the Register, etc. the conclusion is irresistable that the claim made by Government that these are steps towards making the profession an autonomous body managing its own affairs, cannot be sustained.

My Committee would suggest that Government should plan the new body as a full-fledged autonomous authority with necessary legislative sanction. The new Accountancy Board should be constituted under a separate Act of its own and should not, as proposed, be sought to be created by rules prescribed under the Indian Companies Act. There should be a separate legislation for regulating the profession of

accountancy and that legislation should create an autonomous body in which would be vested full powers for regulating the profession in all matters concerning the maintenance of proper standards, development of healthy traditions, enforcement of disciplinary requirements and prescription of rules governing eligibility, etc. In short, the Board under the new scheme of things should be a completely autonomous authority, Government exercising only a limited measure of supervision as a sort of appellate authority considering appeals involving grievances against the decisions of the Board in the matter of disciplinary action taken by the Board against any member of the profession.

In addition to the functions mentioned in paragraph 8 of the scheme, the autonomous Board should also be assigned the function of prescribing and enforcing standards of professional conduct for the Accountancy profession. Similarly, the right of removal of names of members from the Register should be vested in the Board, there being only as a safeguard a right of appeal to the Central Government from the decisions of the Board in regard to this matter.

The most objectionable part, however, of the tentative scheme is the proposal governing the composition of the new Board. Out of a total strength of 25, the elected element representing the profession would be 13, the other 12 would consist of outside interests, many of them being officials nominated by Government. Such a preponderating representation for official interests through nomination is not in keeping with the aim of making the body autonomous. My Committee suggest that the basis of composition for the new Board should be modified in the following directions :

The Board should consist of 23 members, of which 14 should be returned by constituencies of Registered Accountants from the territorial areas mentioned in the scheme. Under the Government scheme 13 members will be elected from the six territorial professional constituencies. My Committee are suggesting that for the Registered Accountants of the province of Bombay and the Western India States the number of seats be increased from 4 to 5, because of the fact that in this area the strength of the profession is much larger. The remaining 9 should be distributed as under.

One seat each for the Federation of Indian Chambers of Commerce and Industry, the Associated Chambers of Commerce, the Federation of Muslim Chambers of Commerce, the Indian Merchants' Chamber, Bombay, and one seat for a representative commercial organization from Calcutta selected for the purpose ; the remaining 4 seats may be filled up by the nomination by Government. My Committee have

particularly thought it fit to suggest the inclusion of representatives of the Indian Merchants' Chamber and of a similar organization from Calcutta primarily because of the fact that joint-stock enterprise owes much for its development to these two centres. The representatives of the organizations in these two places will be of considerable service and assistance to the new body from a practical standpoint and Government, my Committee believe, will have no difficulty in agreeing to this additional representation for commercial interests in the two cities. If, however, Government feel that the total strength of the Board should be fixed at 25, then one more seat out of the two additional seats may be alloted to the Federation of Indian Chambers of Commerce and Industry, the other seat being allotted to the profession from one of the regional areas. In any case, the number of seats to be filled by Government nomination should not exceed *four*. There is absolutely no justification for providing ex-officio representation for officials like the Registrar of Joint-stock Companies, Member from the Income-tax Appellate Tribunal and Commissioners of Income-tax. On the other hand, my Committee are strongly opposed to any officials connected with the Income-tax Department or Income-tax Appellate Tribunal being nominated by Government on the Board because the Income-tax Department and officials connected with that Department have no connection whatsoever with the organization of joint-stock enterprise or with the place and position of the profession of accountancy in relation to joint-stock enterprise.

In regard to representatives on the Board to be returned by Chambers of Commerce and commercial organizations, there should be no insistence on registerable qualifications; the nominating bodies should be free to choose whomsoever they like. Such representatives from commercial organizations are expected to assist the Board in its work, not from the professional standpoint but from the standpoint of practical experience in commerce. If the choice of such Associations is limited to persons with registerable qualifications, the benefit of the experience of men actively engaged in commerce may not be available to the Board.

My Committee have in their remarks above mentioned that the right of removal of names from the Register should be vested in the new Board and not in Government. To safeguard the interests of the members of the profession, they suggest that it should be provided that the said right should be exercised by a resolution passed by two-thirds majority at a meeting of the Board specially convened for the purpose of considering proposals involving removal of names.

In conclusion, my Committee submit that the Government of India will be good enough to consider the above suggestions and to make necessary changes and modifications in the proposed scheme for the setting up of an autonomous Accountancy Board.

APPENDIX 26

Notice of Demand in respect of Advance Payment of Tax under Section 18-A of the Indian Income-tax Act

Letter No. 894, dated 14th April 1947, from Chamber to the Central Board of Revenue

The attention of my Committee has been drawn to the difficulties and hardship caused to assessees by the inadequacy of the time allowed for making payments in respect of demand for advance payment of taxes. According to reports received by my Committee, there have been cases where assessees were served with notices of demand under Section 18-A and were allowed only four or five days before the date of payment fixed by the Section, namely 15th March. The inconvenience would not be great if such notice of payment were to be served with only a short interval before the 15th June, 15th September or even the 15th December, for in the first case the assessee would get the facility of 4 instalments, in the second 3 instalments and in the third 2 instalments. But if notice is served four or five days before the 15th March, the assessee is obliged to pay the whole amount in one instalment on or before that date. Such a procedure causes considerable inconvenience to the assessees concerned, as they are more or less forced to find the necessary funds within the short time or otherwise incur the risk of subsequent penal action as provided for under Section 46 of the Act.

In this connection, it is relevant to point out that at the time of the Income-tax Amendment Bill in the year 1938, the Honourable Sir James Grigg, the then Finance Member, in reply to a similar complaint on the floor of the Legislative Assembly, referred to a departmental circular dated 26th April 1937 wherein it was specifically stated that not less than 14 days' time should be allowed to the assessees for making payment. In view of the complaints referred to above, it would appear that the instructions contained in the said circular are not being respected and adhered to by the departmental officers. The observations of the Finance Member on the occasion and the relevant extracts from the circular will bear repetition. The Finance Member is reported to have

said : (*Vide* Legislative Assembly Debates, Vol. VIII, No. 3, Page 4049, 7th December 1938) :

> " I will go further and say that the Honourable Member is quite right in saying that there are instances of petty tyranny on the part of income-tax officials and that this petty tyranny displays itself particularly towards the end of the financial year. That has been dealt with in a circular which the Central Board of Revenue has sent round, and I propose to read out the relevant paragraph :
>
> 'The Report finds that in some cases only one or two days' time has been allowed for payment of tax. In future, time allowed for payment, except in cases where the revenue appears to be in danger, should be not less than 14 days. It would not be necessary to ask assessees to pay their tax at short notice if assessments were completed in time. When, for unavoidable reasons, an assessment cannot be completed before the latter half of March, the Income-tax Officer must be content to allow the tax to be recovered in the following year. But such cases should be exceptional'."

My Committee submit that the spirit of the above assurance should be fully respected and that the departmental officers should be enjoined to take every step to ensure that the assessees are afforded reasonable time for purposes of making payment in terms of such notices of demand. It is relevant to further point out that there is no power given under Section 18-A to the Income-tax Officer to extend the time for making payment beyond the statutory date. The Central Board should, therefore, direct all Income-tax Officers particularly in the case of notices for payments on 15th March to so time the issue of all such notices as to allow the assessees concerned the full period of 14 days within which to make payment. It should further be made clear that where sufficient time as above was not allowed, the assessees concerned should not be subject to penal action if they pay the amount within 14 days after the receipt of the notice of demand.

It is requested that the Board wil be pleased to look into the matter and to issue necessary instructions.

APPENDIX 27

Time Limit for filing Appeals before the Appellate Tribunal under Sub-section 2 of Section 19 of the Indian Income-tax Act.

Letter No. 948, dated 17th April 1947, from Chamber to the Central Board of Revenue.

I am directed to refer to the anomaly contained in Rule 17-A of the Tribunal Rule which runs thus :—

> "An appeal to the Appellate Tribunal under Section (2) of Section 19 of the Act against an order of the Appellate Assistant Commissioner of Excess Profits Tax under Section 16 or 17 of the Act, shall be made at any time before the expiry of 60 days from the date of such order."

The anomaly will be apparent from the texts of Rule 17 and Rule 17-A A just preceding and following Rule 17-A. The time limitation in similar circumstances runs from the date of the communication of the order to the assessee :

Rule 17 "Within 15 days of receipt of the notice of the Excess Profits Tax Officer's Apportionment"

and

Rule 17-A A "Made at any time before the expiry of 60 days from the date of receipt of the order of Assessment effected by the judgment."

My Committee feel that having regard to the provisions of Rule 17 and Rule 17-A A, the counting of the 60 days time limit from the date of the order in Rule 17-A is an obvious mistake. My Committee, therefore, urge that the matter may be looked into and the defect removed at an early date by a necessary amendment in the Rule.

APPENDIX 28

Income-tax Appellate Tribunal—Composition of

Letter No. 2211, dated 14th August 1947, from Chamber to the Legislative Department, Government of India.

Section 5A of the Indian Income-tax Act provides that the Appellate Tribunal constituted by Government under the Act shall consist of an equal number of judicial members and Accountant Members. The qualifications of persons who would be deemed as eligible for being appointed as Accountant Members have also been defined. Great stress was laid on the above provision regarding the presence of adequate number of Accountant Members on the Tribunal

at the time of the discussion of the Income-tax Bill in the Legislative Assembly. In fact, there was a strong feeling that officials of the Income-tax Department should not be subsequently appointed as members of the Tribunal, as naturally the departmental bias acquired during their official career would, consciously or otherwise, militate against the true discharge of the functions, in a judicial manner, expected of the members. The then Finance Member at the time of the amendment of the Act of 1933 had assured the Central Legislature that as far as possible, Government would not fill up any vacancy of an Accountant Member in the Tribunal with an ex-employee of the Income-tax Department.

The proviso to sub-section (3) of Section 5A, however, empowers the Central Government to appoint as an Accountant Member of the Tribunal any person possessing the qualifications prescribed for such members if Government were satisfied that he has qualifications and has had adequate experience of a character which render him suitable for appointment to that Tribunal. The above exception was unfortunate. But obviously it was intended to be used in exceptional circumstances to permit the appointment of a member who may be very eminently suited for the post and who, at the same time, may not have the professional qualifications prescribed for an Accountant Member under the Act. This provision is now sought to be used in a manner which is not in keeping with the spirit of the main requirement that the Tribunal shall consist of an equal number of judicial members and Accountant members.

It would appear that, as a matter of course, one ex-employee of the Income-tax Department has always found a place as a Member of the Tribunal. Over and above that, my Committee are informed that of the remaining four Accountant Members one is shortly vacating his office. Government, it would further appear, intend to fill up this vacancy also by appointing a person who is a former employee of the Income-tax Department. There is no dearth of suitable persons from the profession for filling up the post. My Committee submit that Government should adhere to the previous assurances given in the above regard and also respect the spirit of the main provision appointing Accountant Members equal in number to judicial numbers.

Letter No. F. 41|47-I.T.A.T., dated 25th August 1947, from the Legislative Department, Government of India to Chamber.

" With reference to your letter No. 2211 dated the 14th August 1947, I am directed to state that appointments to the

posts of Accountant Members of the Income-tax Appellate Tribunal are made through the Federal Public Service Commission. The Commission are not precluded from selecting an officer of the Income-tax Department to fill a vacancy in these posts. In fact, the proviso to sub-section (3) of Section 5A of the Income-tax Act was inserted in order that the Tribunal might not be deprived of the assistance of suitable and experienced officers of the Income-tax Department. The Commission make their selection after a careful scrutiny of the relative merits of all candidates and when their selection falls upon an officer of the Income-tax Department they can be trusted to have assured themselves that the officer has the necessary judicial bent of mind and is suitable in all respects for the appointment. Besides, when a departmental candidate is selected for appointment as an Accountant member care is taken to see that such officer is on the verge of retirement and is not likely to revert to the Income-tax Department. In these circumstances the Government of India feel that there need be no apprehension lest the independence of an Accountant Member who has been an officer of the Income-tax Department before his appointment as such member is in any way circumscribed or liable to be circumscribed."

APPENDIX 29

Allowance of Expenditure incurred in Connection with the Independence Day Celebrations.

Letter No. 2328, dated 27th August 1947, from Chamber to the Central Board of Revenue.

As Government are, no doubt, aware the occasion of the emergency of this country as an Independent Nation on the 15th of August was celebrated with great eclat all over the country. In common with the rest of the population the commercial and industrial interests celebrated the event in a fitting manner. Many such undertakings also paid a special bonus to their staff and employees to mark the occasion. Besides, many buildings owned by commercial and industrial houses were suitably illuminated and decorated; special entertainments were arranged for the benefit of the members of the staff. My Committee have no doubt that all the above items of expenditure in connection with the Independence Day Celebrations would normally be allowable under Section 10 (2) of the Indian Income-tax Act as "expenditure wholly and exclusively incurred for the purpose of the business". In order, however, to obviate any chances of any doubts being raised, my Committee suggest that Gov-

ernment will be pleased to issue instructions to the Income-tax Officers for allowing as a matter of course all items of expenditure of the above character that might have been incurred by assessees in connection with the Independence Day Celebrations. Please let me hear from you in reply at an early date.

Letter No. 27(22)-IT|47, dated 4th September 1947, from the Central Board of Revenue to Chamber.

Reference your telegram dated the 19th August/27th August 1947 on the above subject.

The expenditure on illuminations or the bonus paid to employees on the occasion of the Independence Day cannot be allowed as a business expense as it does not fall within the purview of section 10(2)(XV). The Central Government or the Board have no power to grant any legal concession.

Letter No. 2691, dated 1st October 1947, from Chamber to Hon'ble the Finance Minister, Government of India.

As you are aware, the occasion of the emergence of India as an Independent Nation on the 15th of August 1947 was celebrated with great eclat all over the country. The Commercial and industrial interests here and in other centres joined in the celebrations in a fitting manner. Many such undertakings also paid a special bonus to their staff and employees to mark the occasion. Buildings belonging to commercial and industrial houses were further suitably illuminated and decorated. The question of the allowance of the expenses incurred in the above manner for purposes of taxation naturally arises.

2. The Committee of my Chamber had addressed a communication to the Central Board of Revenue expressing their hope that these expenses would be allowed under Section 10(2) of the Indian Income-tax Act as expenditure incurred for the purposes of the business. In order, however, to obviate any chances of doubts being raised departmentally, they had suggested that instructions might be issued to the Income-tax Officers for such items of expenditure being allowed as a matter of course. We have now received a reply from the Central Board of Revenue to the effect that expenditure on Independence Celebrations and payment of bonus to employees on the occasion of the Independence Day could not be allowed as a business expense, as the same did not fall within the purview of Section 10(2) of the Indian Income-tax Act.

3. While I have no desire to enter into a discussion here on the legal aspect of the scope of permissible allowances under Section 10(2), I am desired to convey to you the feeling entertained here that the Board in communicating the above decision has dealt with this matter in too formal a manner. I may here mention that the Mayor of Bombay had convened a meeting of representative interests in the City before the Independence Day celebrations to fix up the plan and the details of the celebrations. Many leaders, including the Ministers of the Provincial Government, were present at that meeting. A special exhortation was addressed on the occasion to leaders of commerce and industry to agree to give a bonus to workers and employees to signalise the great event. It was also feared that in the industries particularly if the proposal for a bonus was not agreed to, same might lead to some labour unrest. I am pointing this out just to emphasize that the said expenses were incurred and payment of bonus made as part of the general programme outlined under the guidance of the Leaders in the political sphere and interests representing different sections of the society. It would be very unfair to the employers if, at this stage, they are told that those expenses would not be allowed for Taxation purposes. You will easily realize that in the case of industrial employers, the expenses in regard to payment of bonus to employees would amount to a substantial sum.

4. Whatever the technical position in law, having regard to the special nature of the occasion, Government should agree to treat items of expenses of the character referred to above as coming within the scope of the allowances. You will be good enough to give this matter your sympathetic attention and issue necessary instructions.

Letter No. C27(22)IT|47, dated 17th October 1947, from the Ministry of Finance (Revenue Division), Government of India to Chamber.

I am directed to acknowledge receipt of your letter No. 2691 dated the 1st October 1947 addressed to the Honourable the Finance Minister regarding the allowance of expenses incurred on Independence Day celebrations and the special bonus paid to the staff on the occasion.

The Honourable the Finance Minister has given careful consideration to the matter, but he regrets that the suggestion made in the last paragraph of the Chamber's letter cannot be agreed to.

Letter No. 3001, dated 31st October 1947, from Chamber to The Central Board of Revenue.

I am directed to refer to your letter No. C.27(22)IT|47 of the 17th October 1947 regarding allowance of expenses incurred on Independence Day Celebrations and the special bonus paid to staff on the occasion. My Committee regret that the Honourable the Finance Minister has not seen his way to exempt such expenses from the levy of tax. In his letter to the Honourable the Finance Minister, the President of the Chamber has dealt with the matter exhaustively, explaining the circumstances under which such expenses were incurred by business houses. While admitting that expenditure on Independence Day celebrations and payment of bonus to employees on that occasion cannot technically be considered as business expenses, my Committee would like Government not to ignore the fact that the Independence Day celebrations were the result of the collective expression of the country's thankfulness for achieving freedom, an occasion like which comes but once in the life-time of a nation. The Committee would point out that if there was justification for exempting Victory Bonus paid at the end of the last war, there was greater justification for exempting expenses incurred on the celebration of the unique occasion of achievement of independence. My Committee still feel that the question of allowance of such expenses needs reconsideration by Government in the light of the importance of the occasion for which such expenses were incurred.

Letter No. C No. 27(22) IT|47, dated 1st December 1947, from the Central Board of Revenue to Chamber.

Reference your letter No. 3001 dated the 31st October 1947 to Mr. K. R. K. Menon, Member, Central Board of Revenue.

2. The matter has been considered carefully in all its aspects and the Government of India regret that they cannot see their way to agree to the suggestion made by the Chamber.

Letter No. 79, dated 9th January 1948, from Chamber to the Central Board of Revenue.

I am directed to acknowledge the receipt of your letter C. No. 27(22)IT|47 dated the 1st December 1947 on the above subject. The Committee of my Chamber are extremely disappointed at the stand taken by Government in regard to this matter, which, in their opinion, is, to say the least, illogical and not at all justified by the circumstances and merits of the case.

It is, however, significant again to draw special attention to the difference in treatment as between similar expenditure incurred at the time of the celebration of the Victory over the Axis Powers and the present decision of Government to disallow the expenditure incurred at the time of the Independence Day celebrations. Government unfortunately have not answered the query contained in the last communication of my Committee as to why, if payment of bonus at the time of the celebration of Victory was treated as an admissible expenditure, similar expenditure incurred in the celebration of the attainment of Freedom could justifiably be deemed as expenditure not coming within the purview of Section 10(2) of the Indian Income-tax Act. The conclusion is irresistible that in the opinion of Government, the attainment of Independence is of less significance than the defeat of the Axis Powers in war.

My Committee would again request a categorical answer to the following questions, viz :

(*a*) Was expenditure incurred in payment of bonus and in the celebration of Victory over Japan allowed as an admissible expenditure for purposes of taxation under Section 10(2) of the Income-tax Act ?

(*b*) Similarly, was expenditure incurred in payment of bonus and in celebrating Victory over the Axis powers allowed as an admissible expenditure for purposes of taxation under the above section of the Act ?

(*c*) If on the above two occasions the expenditure in question was as a matter of course allowed, what are the distinguishing features which would justify Government extending a different treatment in regard to the expenditure incurred in payment of bonus and in celebrating the attainment of Independence by the country ?

Administrative practices and decisions should have some element of consistency about them and my Committee are constrained to observe that in persisting in their decision not to allow the expenditure under reference Government are acting in an arbitrary manner.

An early reply is requested.

Letter No. 440, dated 13th February 1948 from Chamber to the Central Board of Revenue.

I am directed to invite a reference to the correspondence ending with this office letter No. 79 dated the 9th January 1948. My Committee have since received a copy of Circular No. 27(22)IT|47 dated 8th January 1948 issued by the Board

to all Commissioners of Income-tax. In terms thereof, Independence Day bonus is to be allowed for purposes of Income-tax and Excess Profits Tax assessments so long as the total of the bonuses paid did not exceed 3 months' basic pay of the employees. Thus, subject to a maximum limit of 3 months' pay, the expenditure by way of Independence Day bonus is recognized as an allowable item for taxation purposes.

2. The main issue for consideration is whether in terms of the existing provisions of the Act, the above item of expenditure, viz : Independence Day bonus, could be treated as expenditure falling within the purview of Section 10(2) of the Indian Income-tax Act. On this fundamental issue, the Circular issued by the Board seems to have conceded the point of view urged by my Committee in their previous communication. In short, the Board had recognized that Independence Day bonus should be treated as a business expenditure. If that position is accepted, it is but logical to suggest that the allowance of the expenditure should not be linked to any further qualifying condition. On the other hand, expenditure by way of Independence Bonus should be over and above expenditure by way of bonus normally allowed or allowable. Thus, one month's additional bonus for Independence Day over and above what was normally granted by an employer in the previous years should be recognized as an allowable expenditure for taxation purposes. Where bonus equivalent to 3 months' pay or over is already being granted and allowed for taxation purposes, the allowance of Independence Day bonus should be over and above the limits allowed in the past assessments.

3. My Committee hope that the Board will be pleased to modify the scope of the relief on the above lines and issue the necessary revised instructions to the Commissioners of Income-tax. My Committee would also reiterate that other items of expenditure incurred in connection with the Independence Day celebrations should also be allowed as a matter of course.

Letter No. 27(22)-IT|47, dated 24th February 1948 from the Central Board of Revenue to Chamber.

With reference to your letter No. 440 dated the 11/13th February, 1948, on the above subject, I am directed to say the Chamber does not seem to have appreciated the reason for the concession given in Board's letter C. No. 27(22)-I.T.|47, dated the 8th January, 1948. The Board only recognize that the bonus upto 3 months pay is a legitimate business expense and that the mere fact that it is paid on Independence day or is so called does not make it inadmissible. What they do not

recognize is that bonus paid over and above the legitimate business expense and in consideration of achieving Independence is an admissible deduction.

APPENDIX 30

Salaries earned in British India and paid abroad—Evasion of Tax thereon

Letter No. 3461, dated 17th December 1947, from Chamber to The Central Board of Revenue.

I am directed to refer to explanation (2) to Section 4 of the Indian Income-tax Act governing assessment of salaries earned in British India which, in actual practice, may be paid abroad. Under the Section, such salaries are liable to Tax. It is, however, apprehended that if the amounts of such salaries are paid abroad by the non-Indian companies having transactions in British India, same may escape assessment in the absence of specific machinery for detecting such payments abroad. There is the possibility of tax evasion in such cases where persons rendering service in British India may, by arrangement, secure payments of their salaries and get them credited in the head-office accounts outside India. Under those circumstances, payments not actually made in British India are likely to escape assessment, as there is no provision for detection of such amounts being adjusted directly in the books of non-Indian companies having their head-offices outside India.

My Committee have examined the lacuna in the Act and Rules as such, and would like to have information as to how far in actual working such assessments have escaped due payment of Tax in cases where non-Indian companies are adjusting payments of such salaries earned in British India companies having their head-offices outside India.

Letter No. C. No. 35(8)-IT. 48, dated 19th March 1948, from The Central Board of Revenue to Chamber.

With reference to your letter No. 3461 dated the 17th December 1947, on the above subject, I am directed to invite your attention to clause (*a*) of section 10(4) of the Income-tax Act and to say that a trading concern will not be able to claim such salary paid abroad as a deduction. The Government may stand to lose only if such salary is paid by an institution or body which is not liable to income-tax (i.e. a local authority) itself but such cases would be rare. I am however to request you to make suggestions with reference to any concrete case the Chamber may have in view.

APPENDIX 31

Allowance of unpaid wages paid after 1946 and refund of the same under E.P.T.

Letter No. 8(28)-E.P.|46, dated 22nd March 1947, from the Central Board of Revenue to Chamber.
(Vide Annual Report 1946, P. 284.)

In reply to your letter No. 3228 dated the 17th December 1946, I am directed to draw the attention of your Chamber to Rule 11 of the First Schedule to the Excess Profits Tax Act and to clause 18 of the Bill now before the Legislature "further to amend the Indian Income-tax Act, 1922 and the Excess Profits Tax Act 1940." Your Chamber will observe that the provision provides for the allowance, against the profits of the period to which it is reasonably and properly attributable, of any loss of expenditure which is allowable on Income-tax principles which is incurred between 1st April, 1946 and 31st December 1947.

APPENDIX 32

E.P.T. (Post War Refunds) Rules

Letter No. 2210, dated 14th August 1947, from Chamber to the Central Board of Revenue.

The attention of my Committee has been drawn to the notification issued on 31st May regarding certain amendments to the Excess Profits Tax (Post-war Refunds) Rules, 1942, and prescribing the forms for application for refund of E.P.T. Deposits. One form relates to claims for refund for an approved purpose, viz: provisions for replacement of buildings of plant and machinery, etc. In the case of such applications, the assessees have to obtain a Certificate from the Department of Industries and Supplies to the effect that the purchase of the plant and machinery concerned had been authorised as being in national interests. The other form is in respect of refunds where the amount is required for an approved purpose, viz: development or re-equipment of the business concerned.

Obviously, the above forms have not taken into account or provided for the case of assessees who are Managing Agents. Such Managing Agency undertakings do not require the deposits either for the purpose of re-equipment or for the development of any business. Naturally, they will be requiring the deposits for ultimate distribution among the partners in the Agency firm. Therefore, the above class of assessees will not be in a position to apply for the refund under the rules under reference.

The Board will be pleased to look into the above point and arrange for the issue of a suitable form for applications by assessees who require the refund of their deposits for purposes other than the two main purposes indicated in the forms already published.

Letter No. C. No. 8 (19)-E.P.|46, dated September 1947, from the Ministry of Finance (Revenue Division) to Chamber.

With reference to your letter No. 2210 dated the 14th August 1947, I am directed to say that the Central Government have considered the matter but they are prepared to provide for the earlier than normal refund of E.P.T. Deposits only in cases where the money is required for the rehabilitation or the expansion of industry. In other cases, refund must be deferred to the date on which it is due under the provisions of the Finance Act 1942 and the E.P.T. Ordinance, 1943.

APPENDIX 33

Allowances in assessing profits—Cost of E.P.T. appeals.

Letter No. C. No. 27(39)IT|46, dated 13th August 1947, from the Central Board of Revenue to Chamber (Vide Annual Report 1946, P. 281.)

With reference to your letter No. 2606, dated the 3rd October 1946, I am directed to say that the case of Rushden Heel Co., *versus* Keene was taken in appeal to Court of Appeal and the judgment of the High Court was set aside. It has been held by the Court of Appeal that expenses incurred in appeal are not incurred wholly and exclusively for the purposes of trade. The Court thus upheld the view of the Board.

Letter No. 2338, dated 28th August 1947, from Chamber to the Central Board of Revenue.

I am directed to acknowledge the receipt of your letter C. No. 27 (39)/IT|46, dated the 13th August 1947 on the above subject. Whatever might have been the subsequent developments in connection with the case of Rushden Heel Co. *v.* Keene, my Committee feel that the whole position as at present obtaining is very unfair so far as the assessees are concerned. The Income-tax and the Excess Profits Tax Laws of the country are extremely complicated. It is very essential to ensure that the provisions of the said Laws are construed and applied in a proper and legal manner and, if in the course of the application thereof in actual cases involving assessment of tax, points of doubts and|or disputes are raised, it is but proper that Government should encourage and facili-

tate such points being properly clarified and doubts resolved by recourse to the proceedings authorised under the Acts. It is reasonable to suggest that the expenditure incurred by the assessees in the course of such proceedings for purposes of clarification of points involving questions of fact or law, should be deemed to be expenses incurred for the purpose of the business.

My Committee request that the Central Board will be pleased to review the position as a whole and issue instructions regarding allowance of expenditure incurred in connection with Income-tax and Excess Profits Tax Appeals.

Letter No. 27(39)IT|46, dated 16th December 1947 from the Central Board of Revenue to Chamber.

With reference to your letter No. 2338, dated the 28th August 1947, I am directed to say that the Board have carefully considered the question, but in view of the judicial decision on the point they are unable to accept the suggestion made in the concluding paragraph of your letter.

APPENDIX 34

Refund of E.P.T. Deposits.

Telegram, dated 12th August 1947, from Chamber to the Finance Department, Government of India.

Under existing orders deposits made by assessees under E.P.T. Act are refundable either within one year after end of hostilities or within two years from date on which the deposits are made whichever is later. E.P.T. levy abolished from April 1946. Obviously all refunds of deposits could normally be expected to be completed before March 1948. In view of political arrangements for partition of country from 15th of August and consequent necessity for adjusting assets and liabilities between the two governmental authorities committee submit that the position in regard to these deposits may be reviewed and arrangements made for refund of all deposit amounts prior to distribution of assets and liabilities on 15th August so as to obviate the necessity of having to carry over and apportion these liabilities as between two governmental authorities. As these refunds are due at any rate within next six months refunds at this stage are not likely to involve any immediate financial burden on Government. Moreover it would also assist in meeting the need for greater finance at present being experienced by industrial interests all over country.

APPENDIX 35

Capital Gains Tax and Exemption Limit.

Letter No. 2212, dated 14th August 1947, from Chamber to the Central Board of Revenue.

I am directed by the Committee of the Indian Merchants' Chamber to request the Central Board of Revenue to clarify the exact implication of the provision in the first proviso to Section 12B of the Indian Income-tax Act under which the amount of Capital Gains not exceeding Rs. 15,000 is excluded from the scope of the tax so far as it applies to assessees who are partners in a Registered firm. In the case of Registered firms, the assessment is in the hands of the partners, and the partners are thus individual assessees. Where, however, such a Registered firm sells any part of its capital assets used for the purpose of business at a profit, will the exemption limit be calculated with reference to the share of each individual partner ? Illustrating the point by hypothetical example if a firm A, which has two partners X and Y, sells a part of its capital assets at a profit of say Rs. 30,000 and if the partners share the profit equally, will the amount of capital gains of Rs. 15,000 be treated as exempted for purposes of taxation in the assessment of the two individual partners ?

Under the existing scheme of the Indian Income-tax Act, Registered firms are not treated as a separate entity for purposes of taxation. Such firms pay their taxation through the partners who are assessed individually. It would, therefore, be logical to presume that in a case of the kind referred to above, the two partners would be entitled to the exemption to the extent of the exemption limit of Rs. 15,000 prescribed. As the above point has been referred for opinion to the Committee of the Chamber, it is requested that the Central Board of Revenue will be pleased to explain the exact position in regard to a true construction of the provision in the Act in question.

APPENDIX 36

Insurance for Riot and Civil Commotion Risk.

Telegram dated 23rd April 1947, from Chamber to the Department of Commerce, Government of India

Attention of the Committee of the Indian Merchants' Chamber has been drawn to questions and answers in the Council of State on the 13th April on the subject of instituting a scheme of Compulsory Insurance against civil commotion and riots. Commerce Secretary is reported to have observed in reply to question by the Honourable Mr. Govindlal Shivlal

Motilal that Government were considering the feasibility of such a scheme of insurance. Committee would like to know what progress has been made in regard to this matter. Committee wish to emphasize that in view of the growing feeling of uncertainty caused by the recent developments Government should lose no time in instituting a scheme of insurance for civil commotion and riots. The public and the commercial community are experiencing difficulties in securing cover for such risks from insurance companies particularly in seriously disturbed areas. Moreover, recent experience about loss and extensive nature of destruction resulting from disturbances has given rise to the fear that private insurance agencies may not be able to cope up with the magnitude of the problem. Such riot cover as may be offered by insurance companies is restricted to ordinary riot risk and excludes risks resulting from rebellion, insurrection, civil war, etc. Further, the rates charged by insurance companies in respect of fresh insurance are almost prohibitive. In view of the above developments, absence of insurance protection is causing serious disorganization in business activities, has led to curtailment of credit facilities and resulted in a general feeling of uncertainty. In order, therefore, to give the necessary re-assurance to the public and commercial community and in view of the exceptional nature of the circumstances prevailing, Committee are strongly of the view that Government must evolve a scheme of insurance under which losses resulting from civil commotion and riots would be underwritten by the State. Details regarding rates of premia and other conditions may please be settled in consultation with insurance and commercial interests.

Committee request an early announcement in the matter.

Telegram dated 3rd September 1947, from Chamber to Hon'ble Sardar Vallabhbhai Patel, Home Minister, Hon'ble Mr. C. H. Bhabha, Minister for Commerce, and Hon'ble Sir R. K. Shanmukham Chetty, Finance Minister Government of India.

Committee Indian Merchants Chamber had sent a telegram to the Government of India in Commerce Department in April last emphasising that, in view of the growing feeling of uncertainty caused by the developments in the internal situation in the country, Government should institute a scheme of insurance for covering losses caused by civil commotion and riots. A reply was received from Government to the effect that the matter was under active consideration. Since then there has not been any information about the final decision of Government. Committee again stress that the events of the last few days reinforce the need for an early announcement by Government undertaking liability to com-

pensate losses resulting from riots, civil commotion or insurrection and for instituting a scheme of insurance for covering such losses. There is a complete breakdown of the administrative machinery particularly in large areas in the Punjab and destruction of property is widespread and on a colossal scale. There is a great feeling of insecurity causing a serious threat to the functioning of the credit mechanism. The magnitude of the risk obviously beyond the resources of private insurance interests and unless Government forthwith announce their decision to compensate losses and institute a scheme of State Insurance normal activities will be seriously paralysed. During war even at the first indication of likely loss or damage to property from enemy action, Government introduced a compulsory scheme of War Risks Insurance. The loss and the risk in the present occasion more real and widespread and therefore the need for an immediate scheme of insurance cover all the greater and pressing.

Committee urge Government should assist in restoring confidence by immediately announcing their decision to under-write these losses and to have a scheme of insurance for the purpose. Committee also request that Government of India will be pleased to take up the issue with the Government of Pakistan with a view to similar action being taken by that Government in respect of losses in areas under their jurisdiction.

APPENDIX 37

Fire Tariff for Cotton in temporary covered Jathas.

Letter No. 1780, dated 8th July 1947, from Chamber to the Bombay Fire Insurance Association.

I am directed to refer to the correspondence which my Committee had with your Association resting with your letter dated the 29th July 1946 on the above subject, wherein in regard to my Committee's request for a review of the rates of premium for cotton stored in temporary covered Jathas, your Committee had reiterated that in view of the special risk involved in the storing of cotton in temporarily covered jathas it was not possible to waive the extras.

Since then, the trade interests have represented to my Committee that not only there has been no relief forthcoming in the high rates of basic premium and the rate of extras but that, on the contrary, there has been an additional burden imposed on them by the introduction of a new basis for the determination of the extra rates applicable to " monsoon protection ". Till now, a loading of 100 per cent on the basic

rate of fire insurance premium was imposed on a *pro rata* basis, the same being calculated with reference to the duration of the cover. This loading, as my Committee have often pointed out, was indeed too heavy and was not justified by the actual loss experienced. In view, however, of the extreme scarcity of storage facilities for cotton, the trade had no other course left open but to submit to the higher rates of extra premium.

The introduction of the new method for the calculation of the extra rates, my Committee are given to understand, has further aggravated the difficulties of trade. The imposition of extra rates on a percentage basis has now been replaced by a system of charging extra premium at fixed rates on a special short-period scale the same varying with the duration of the monsoon protection cover. Apart from the fact that varying methods for the determination of the basic rates and the extra rates would create practical difficulties, my Committee would like to point out that the new scales in actual practice work out much higher than the previous basis. All along, your Committee have contended that fires do occur in temporary covered jathas during monsoon, and on that account sought to justify the higher rate of extras ; but according to the information of my Committee, ever since such temporary covered structures came to be built in the Port area, there has not been any considerable loss by fire in such jathas. They, therefore, feel that these higher rates are without justification. The trade interests concerned have represented that the method of " percentage loading " calculated on a *pro rata* basis which was in force till the last monsoon, in the circumstances, adequately met with the requirements of the situation and that even if no relief could possibly be granted to them, at least the old basis of rates should immediately be restored in respect of jathas in the Port Trust area.

My Committee feel that there is considerable force in the above claim of the trade interests and recommend that the Committee of your Association would be good enough to examine the whole position and re-introduce the percentage basis for purposes of determining the extra rates of premium for monsoon protection.

Letter No. 5829|5, dated 23rd July 1947, from Bombay Fire Insurance Association to Chamber.

I acknowledge receipt of your letter dated 8th instant and am directed to refer you to our letter dated 11th November 1946 which fully explain the reason for increasing the rates.

(Copy of letter dated 11th November 1946 enclosed to the above letter).

My Committee are deeply concerned at the fire record of cotton stored at Jathas in Bombay and strongly feel that immediate steps must be taken to improve the storage facilities for so vital a commodity to Bombay's trade as cotton if the recurring fire-waste arising from the storage of cotton at Jathas is to be avoided.

My Committee have reviewed the storage facilities for cotton in Bombay and consider that the present storage accommodation for cotton is inadequate. They have always regarded the jaithas as affording temporary accommodation for cotton arriving during the busy months.

On account of the present shortage of godown accommodation all available jathas are fully occupied for cotton storage throughout the year. During the monsoon these jathas are protected against the monsoon by structures of bamboo and kutcha tarpaulin. In this connection we remind you of our letter dated 29th July 1946 when we observed :

> The fear of my Committee that these temporary structures would render the work of fire-fighting more difficult is based on experience of fires in this type of construction. The erection of these temporary structures on several adjoining jathas in a group creates conditions which may result into a serious conflagration, and my Committee strongly feel that an inflammable commodity like cotton should not be stored in such a dangerous manner. The extra rate also ensures that the temporary structures would exist only for a minimum period.

How real these fears of my Committee were has been fully demonstrated by a recent fire which destroyed the contents of six adjoining jathas.

My Committee have been recently obliged to revise the rates for cotton stored at jathas and the extra for monsoon protection on account of recurring adverse experience.

My Committee are convinced that the most effective solution of this problem lies in the Bombay Port Trust increasing its godown facilities by erecting additional sprinklered godowns of fire-resisting construction.

My Committee have addressed the Bombay Port Trust in this manner, *vide* my letter of to-day's date (copy enclosed) and I am directed to request you to support our efforts in securing adequate and safer storage conditions for cotton in Bombay.

APPENDIX 38

Collection of Import Duty on Consignments short delivered.

Letter No. 1195, dated 7th May 1947, from Chamber to the Collector of Customs.

My Committee have received complaints from trade interests regarding the position in the matter of collection of customs duty on consignments short delivered. Although there is special provision in the Sea Customs Act for abatement of duty in respect of damaged goods, there does not appear to be any specific provision governing rebate of duty on occasions when consignments are short delivered due to loss of a part on account of pilferage or any other reasons of a similar character. Before my Committee make any representation in the matter to the Central Board of Revenue, they would like to have your advice regarding the exact procedure obtaining at present in such cases. *Prima facie* it appears reasonable that when a consignment is delivered short, the authorities should not recover such portion of the duty as may be represented by the part not delivered. If the point has been considered in the past and if any special instructions have been laid down regulating the procedure under such circumstances, details of the same may be furnished to my Committee for their information.

Letter No. C. No. 1271|47, dated 6th June 1947, from the Collector of Customs to Chamber.

Your letter No. 1195 dated 7th May 1947.

It is correct that no provision exists in the Sea Customs Act in respect of the goods short received. Nevertheless, in practice, relief is given to importers in cases where it is proved to the satisfaction of the Custom House that the missing goods were not in fact despatched or were lost prior to arrival of the vessel in port. In both cases the shortage has to be proved to the satisfaction of the Custom House *before* the goods pass out of Customs control and in the latter case the shortage must be established by a survey held prior to clearance with the consent of the Ship's agents.

Letter No. 2207, dated 14th August 1947, from Chamber to the Collector of Customs, Bombay.

I am directed to invite a reference to your letter C. No. 1271|47 dated the 6th June 1947 on the above subject whereby you explained that although under the Sea Customs Act there was no specific provision for refund of duty in respect of goods short delivered, in practice relief was being given to importers in cases where it was proved to the satisfaction of the Custom House that the missing goods were not in fact despatched or were lost prior to the arrival of the

vessel in port. The attention of my Committee has been drawn to a case in which the above practice is not being adhered to. The facts of the case may be briefly stated:

Messrs. Kashandas Ltd., Bombay, imported 20 gross Fountain Pens per S.S. "Empire Swordsman" from New York. As from a superficial examination of the package they felt doubtful about possibility of shortage, they got the goods surveyed at Shed No. 9, Alexandra Dock, and the Survey Report disclosed shortage of four gross and 5½ dozen fountain pens. Under normal practice they had paid duty on the whole consignment and a note of the shortage as above was also taken on the relative Bill of Entry at the time of the Custom examination. They submitted a claim for refund of duty to the Assistant Collector of Customs, but the same was rejected. Subsequently, they appealed to the collector of Customs against the decision of the Assistant Collector, but without success.

It is obviously unfair that in a case like that where the loss is satisfactorily proved, the Custom authorities should reject the claim for refund without assigning reasons. After all, the duty is expected to be recovered on goods actually imported and both in equity and in keeping with the practice already in force as referred to above, the claim for refund in respect of the goods lost or short delivered should, as a matter of course, be allowed.

I am desired by my Committee to request you to kindly reconsider the above case and also explain in more detail the general considerations which would weigh with the Customs authorities in agreeing to refund of duty on occasions of loss or short delivery.

Letter No. C 1271|47, dated 14th November 1947, from the Collector of Customs, to Chamber.

Reference correspondence resting with this office letter of even No. dated 13th September 1947.

The Government of India have rejected the revision petition of Messrs. Kashandas Ltd., Bombay. I would add for your information that it is erroneous to assume that all goods lost or short-delivered were not imported. Customs duty is leviable under Section 20, Sea Customs Act on all goods imported.

An Agents' survey is held to establish whether the shortages occurred on board before landing of goods and in such cases the duty is recovered from the Ship's Agents as a penalty under Section 167, Clause 17, Sea Customs Act. Refunds of duty are also granted if it is satisfactorily established that the goods found short in a package were in fact not shipped. In all other cases the owner of the goods is held responsible for the duty on them.

III. TRADE, INDUSTRIAL AND LABOUR LEGISLATION

APPENDIX 39

Bill to provide for the Control of Indian Shipping.

Telegram dated 19th March 1947, from Chamber to the Department of Commerce, Government of India.

Committee Indian Merchants' Chamber have considered the provisions of the Bill to provide for Control of Shipping introduced in the Central Legislative Assembly on the 17th March. They note that the Bill seeks to vest Government with necessary powers to continue control on the movement by ships. Committee further note that Government consider the above legislation at this stage necessary, because the powers already enjoyed by them under Ordinance XX of 1946 would shortly expire. While Committee have no objection to Government arming themselves with minimum of authority and power necessary to regulate movement of priority and essential cargoes, such as coal, foodstuffs, etc. in an orderly manner, they submit that the control envisaged in the Bill and the powers sought thereunder go beyond requirements of the situation and are likely to prove to be serious impediments in the way of development of Indian shipping. Firstly, Committee wish to point out that it is now over 18 months since the termination of hostilities and it is not fair to continue legislation of such an emergency character for a long period of 3 years as proposed in the Bill. The life of the measure should not extend beyond another year. Secondly, the system of licensing envisaged in the Bill will entitle the Shipping Authority to confine all ships on the Indian Register to specified trades and routes, while ships registered outside British India will not be subject to the same restrictions. Obviously, this will place Indian Shipping in a position of disadvantage *vis-a-vis* foreign shipping and particularly British shipping plying in Indian waters. The Shipping Authority may also confine movement of all ships on the Indian Register to coastal traffic on the ostensible ground that such restriction was necessary with a view to ensure the movement coast-wise for subserving ordinary traffic needs. While Comittee have no objection during the continuance of existing difficult conditions for making old ships on the Indian Register to be made available first for coastal traffic, they would like to point out that if new ships which have been acquired by Indian shipping companies particularly for plying in overseas trade are similarly restricted, same will lead to consequences of a far-reaching character. Encouraged

by the announcement of Government's policy for securing participation of Indian shipping in overseas trade, Indian Companies lately added to their fleet new ships designed and mainly suitable for overseas trade. If under the new legislation such ships are confined to coastal waters, in addition to depriving Shipping Companies of long-awaited opportunity of taking their proper place in overseas trade, the shipowners concerned will be prevented from making the most suitable and economic use of their ships. Committee, therefore, urge that new ships acquired by Shipping Companies for the purpose of entering overseas trade should be free from restrictions which would confine their movement to coastal waters. Thirdly, the Bill empowers Government to exercise control over fares and freight rates charged by Shipping Companies. Committee appreciate that in the existing conditions of transport shortage, it is necessary to protect the interests of the users by some measure of control over rates and fares. At the same time, they would like to point out that Government have not so far built up and developed necessary expert machinery for arriving at a reasonable basis of rates and fares. The Bill also does not contain any indication of the proposals of Government in that direction. While the interests of the users have to be protected, it is also necessary to safeguard the interests of carriers by providing that rates and fares fixed would be economical and would be arrived at after taking all relevant factors of cost into consideration and all peculiarities of the shipping industry and needs and difficulties of Indian shipping. At all events, it is necessary to provide that before fixing such rates and fares, shipping interests would be given every opportunity to place their point of view before the Rate Fixing Authority and that some machinery of appeal in case of dispute should also be instituted. Fourthly, Committee find that contravention of any of the provisions of the new Act would involve punishment with imprisonment for a term which may extend to 6 months or with fine or with both. In a commercial legislation of this character, punishment with imprisonment should be avoided as offences cannot in any way be deemed to be criminal, and Committee suggest that requirements of the Law would be served by providing only penalty of a fine. Committee request Government will be pleased to give above suggestions their sympathetic consideration and make suitable modifications in the Bill under reference.

APPENDIX 40

Bill further to amend the Indian Coinage Act providing for the Replacement of Silver Rupees by Nickel Coins.

Telegram dated 10th April 1947, from Chamber to Hon'ble the Finance Member, Government of India.

Committee Indian Merchants' Chamber have considered Bill further to amend the Indian Coinage Act seeking to authorise Government to issue all coins, including the Rupee, in any metal. Committee are strongly opposed to the proposal. In a country like India where tradition and sentiment play an important part, replacement of the silver Rupee by nickel coin will lead to repercussions of an undesirable character. The step will result in undermining the confidence of the masses of the people of the country in the intrinsic value and strength of the Indian coinage system. The silver rupee with its hoary tradition has its own element of appeal to the people of the land and Committee submit that Government should not be influenced by developments in coinage practices in other countries. Moreover, the silver content in the Rupee is looked upon as an additional backing for Indian currency. Committee feel unconvinced of the reasons advanced in justification of the change. The temporary difficulties caused by shortage of silver supplies and high prices thereof may well be overcome by refraining from coining new Rupee coins for the time being, the immediate requirements of Rupee currency being met by continuing the issue of Rupee notes. In regard to the obligation undertaken for returning the Lease/Lend silver to America within five years from the end of the emergency, Committee feel that the agreement in question has imposed an unduly onerous burden on this country and that, if proper representations are made to the American authorities, it should not be difficult to secure a re-adjustment of the terms and conditions in such a manner as not to involve a strain on the country's resources. In any case, Committee are strongly opposed to any changes in the existing provision governing the silver content of the Rupee coin and request that the proposal be abandoned.

APPENDIX 41

Control and Regulation of Bullion Trade.

Letter No. 1918, dated 17th July 1947, from Chamber to Finance Department, Government of Bombay.

I am directed to refer to Government's letter No. 6898/33-D dated the 8th May 1947 forwarding a copy of the questionnaire issued by Government on the subject of

control and regulation of Bullion Trade and in reply to send to you hereby the views of my Committee on the same.

Although this is the first occasion on which Government have invited the views of the trade interests on the desirability or otherwise of introducing legislation for controlling or regulating forward trading in bullion, the discussions in recent years in regard to the extent and nature of the control necessary so far as forward trading in stocks and shares and cotton are concerned, have assisted in focussing commercial opinion on the main features of the problem of control and regulation of forward trading. Both in the case of stocks and shares and of cotton, the Committee of my Chamber had expressed themselves in favour of creating conditions which would make it possible for Government to enforce a policy of unitary control over forward trading in the respective trades. They had also suggested that for the successful implementation of a policy of unitary control, trading not in accordance with the by-laws of recognised Associations should be deemed not only as invalid, but as definitely illegal. Their above views hold good so far as control of forward trading in bullion also is concerned. My Committee are in favour of Government taking steps which would secure unitary control of forward trading in bullion. With the above preliminary remarks, my Committee would give their replies to some of the questions in the questionnaire.

Q. 1. My Committee are in favour of forward trading in Bullion being controlled in the province as a whole. If the control is restricted to specific areas, there is the risk of business migrating to centres which are not under control.

Q. 2. My Committee are in favour of a scheme of regulation which would secure the control of forward trading in bullion so far as Bombay City is concerned in one Association duly recognised for the purpose. At the same time, necessary provision should be made for securing conditions which would result in all the elements in the trade as represented by the different Associations at present existing in Bombay and which desire to continue in the trade being brought within the frame-work of the recognized Association. While it is no doubt necessary to prescribe standard terms and conditions of contracts for forward trading in bullion and standardise rules and by-laws for the recognised Association, my Committee feel that the requirements of the situation would not be met by Government merely laying down standard terms and conditions of contracts and standard rules and by-laws for the Association without attempting to restrict the number of Associations authorised to conduct forward trading in bullion.

My Committee are in favour of the other alternative viz : (i) that the control scheme should empower Government to recognise one Association for Bombay City for forward dealings in bullion. The rules and by-laws of the recognized Association should of course be subject to the approval of Government. Any amendments or additions to the rules and regulations should also be subject to the previous approval of Government. (ii) Contracts not in accordance with the by-laws of the recognised Association should be illegal rendering thereby any unauthorised trading to penal action.

My Committee are not in favour of making efforts to organize an association with a view to subsequently secure the necessary recognition a penal offence. The organization of an Association as such or efforts to organize one cannot be deemed to be anything in the nature of an offence. The mischief will begin only when forward trading is actually carried on through the medium of an Association which is not recognised. My Committee, therefore, would like to modify the suggestion contained in the question to the effect that while attempts to organize an Association by itself should not be a penal offence, actual trading in an unrecognised Association should be deemed as illegal.

(iii) My Committee are not in favour of such extraordinary powers being vested in Government enabling them to supersede the Board of a recognized Association, to nominate one or more members of the Board and to remove or appoint the President of the Association. While they realise that they are intended to be used only in an emergency, they believe that even reserve powers of general control and supervision should conform to some accepted standards of not infringing the democracy or the autonomy of the organization concerned. Even where Government find it necessary to supersede the Board for the time being, the power of appointing the successors should revert to the members of the organization. At all events, Government should not have power to impose a President of their choice on the recognised Association.

Q. 3. My Committee are not against forward trading in bullion being allowed in other centres in the Presidency. But such trading should be confined to Associations recognised for the purpose in the centres concerned.

Q. 4. This question relates to the terms and conditions of the membership of the recognized Association, composition of the Board of Directors, trading hours, system of clearances, etc. My Committee feel that these are matters which should be settled by Government in consultation primarily with the trade interests directly concerned in the matter.

Q. 5. The same remarks apply to this question also. The terms and conditions of forward contracts in bullion should be settled primarily between Government and the trade interests directly concerned.

Q. 6. My Committee are not in favour of any provision for inclusion in the Board of Directors of the recognised Association of one or more representatives of Government or of the Reserve Bank. The enforcement of the rules and the by-laws under the control scheme should be left to the recognised Association and my Committee do not anticipate the need for an outside check.

Finally, my Committee suggest that the Bill giving effect to the final proposals of Government in regard to this important matter should be circulated for eliciting public opinion sufficiently in advance so that those concerned may have full opportunity of expressing their views on many matters of detail which may not have been prominently brought out in the questionnaire under reference.

APPENDIX 42

Report of the Cabinet on the Control of Forward Trading in Cotton in the Bombay Province.

Letter No. 1676, dated 26th June 1947, from Chamber to the Finance Department, Government of Bombay.

The Committee of the Indian Merchants' Chamber have considered the recommendations contained in the Report of the Committee of the Cabinet on the control of Forward Trading in cotton in Bombay province and wish to take this opportunity of placing before Government their views and suggestions on the scheme of control envisaged in the Report as a whole and on certain specific matters arising therefrom.

2. At the outset, my Committee wish to congratulate the Ministers who are the authors of the Report in question on the practical nature of the conclusions reached on the various issues involved in the formulation of a scheme for the control and regulation of forward trading in cotton in the Province. The Report is an important contribution for the evolution of a long-term policy appropriate to the needs and requirements of this important trade in the province, and, subject to certain modifications on one or two essential aspects which my Committee have indicated hereafter, they are in general agreement with the conclusions reached in the Report and the recommendations contained therein.

3. The cotton trade is one of the most important trades in this Presidency. The regulation of that trade on sound

and healthy principles is a matter of supreme importance to the general economy of the Province. In the past, on many occasions the Committee of this Chamber had expressed themselves in favour of creating conditions which would make it possible for Government to enforce strictly a policy of unitary control in the trade. They are glad to note that the Committee of the Cabinet have emphasized their strict adherence to the principle of unitary control. They are also in further agreement with the recommendations of the Committee that such a control should extend to the whole of the Province and that for purposes of Hedge trading there should be only one recognized Association for the province as a whole. For the successful implementation of a policy of unitary control, the absence of sufficient sanctions under the existing state of affairs was observed to be a serious handicap. This defect also will be removed by the acceptance of the recommendation of the Committee that contracts not in accordance with the bye-laws of the recognized Association would be not only invalid, but would be definitely illegal, rendering thereby any unauthorized trading to penal action. Such a provision will have a wholesome effect and will eliminate chances of unitary control, being rendered nugatory by recourse to unauthorized transactions. In short, my Committee extend their full support to the recommendations in the Report emphasizing adherence to the principle of unitary control, extending the said control to the whole of the Province and making illegal Hedge contract transactions outside the control.

4. There is, however, one important aspect on which the recommendations in the Report have not taken into account the practical requirements of the situation. While submitting their views on 8th November last, in reply to the Questionnaire issued by Government, my Committee had requested Government to take particular note of the fact that there were at present two Associations in Bombay, viz : the East India Cotton Association Ltd., a body duly recognized by Government for purposes of forward trading, and the Shree Mahajan Association Ltd. My Committee had particularly desired that before Government enforced unitary control by legislation, they should informally or otherwise bring about a fusion of the interests represented by the above two Associations on the basis of either a voluntary agreement between the two, or in default of such an agreement by Government themselves deciding the matter. They had suggested that Government should bring about conditions which would facilitate the amalgamation of the Shree Mahajan Association with the East India Cotton Association and expressed the view that the details connected with any such scheme of

amalgamation were matters which should be settled, preferably by agreement between the representatives of the two Associations. Unfortunately, the Committee of the Cabinet have not included in their recommendations suggestions which would result in achieving that fusion of interests between the two organizations so as to make the trade a unified whole on the basis of absorbing all the elements constituting it.

5. In dealing with this aspect of the matter, the Committee of the Cabinet observe that the small trade can become an associate-member of the East India Cotton Association, that the Committee had recommended that 2 seats of Directors should be reserved for the associate-members, and that these members should elect a certain number of members to the General Body of the Association. In view of these recommendations, the Cabinet Committee do not feel it necessary to give separate consideration to the question of amalgamation of the Shree Mahajan Association with the East India Cotton Association Ltd. My Committee recognize that if the scheme in the Report provided for the practical absorption of all the members of the Mahajan Association into the framework of the East India Cotton Association, there was no need for a separate process of amalgamation as such. But the conditions and circumstances envisaged in the Report, my Committee must point out, may not make it possible for all the members of the Mahajan Association representing the smaller interests to be brought within the framework of the East India Cotton Association. The expedient of these members joining the East India Cotton Association as associate-members and exercising their influence through the Directors, representing such associate-members, will not be of much help in fulfilling and realizing the main purpose of facilities for trading to such members. Under the constitution of the East India Cotton Association, associate-members have restricted rights. They are not entitled to trade in their own name in Hedge Contracts and to the facilities of the clearing house. The other alternative of the members of the Mahajan Association joining the East India Cotton Association as full-fledged members, which would be made possible by the removal of the ceiling on membership, is automatically ruled out on the ground that many of such members, being people with smaller resources, would not be able to satisfy the requirements of the East India Cotton Association in the matter of deposits. The resulting position would be that a large body of persons who had earned a living in the cotton trade would under the new scheme find themselves deprived of the facility of direct trading. Such a consummation should be avoided and my Committee are anxious that the new scheme, for achieving unitary control in the cotton trade should make due and definite

provision for securing to people with smaller resources, who were already in the trade, facilities for trading in their own name and as a matter of right.

6. In order that the smaller man may have reasonable scope for trading within the framework of the East India Cotton Association itself suggestions were placed before Government in the past in the direction of creating a separate class of associate-membership with restricted trading rights and concessional deposits. Unfortunately, the Committee of the Cabinet have not found it necessary to formulate proposals in that direction, obviously relying on the reforms suggested by them for removing the restriction in membership and for increasing the representation to associate-members, making it easy for the class of traders represented by the Mahajan Association becoming members of the East India Cotton Association and taking their place in the trade on that basis. This appraisal of the resulting position seems to have missed the point about direct trading as associate-membership does not confer any direct trading rights. Therefore, the scheme adumbrated in the Report requires modification so as to create conditions which would favour the assimilation of all the smaller traders into the framework of the organization represented by the East India Cotton Association, conferring at the same time to such interests as represented on the membership of the Mahajan Association trading rights even if on a restricted basis.

7. It is pertinent, in this connection, to recall that in the year 1939 on the initiative of the Provincial Government informal efforts were made for arriving at a basis which would result in the fusion of interests between the two organizations. A large measure of agreement was reached regarding the terms and basis on which such a fusion should be attempted. Under that scheme of things, there was provision for treating the entire body of members represented by the Mahajan Association on a concessional basis so far as trading rights and deposits for the membership of the East India Cotton Association were concerned. My Committee would like to submit for the serious consideration of Government that some such special provision for accommodating the smaller man already in the trade, with the right to trade in his own name and account, should be evolved so that in the process of strengthening and organizing the cotton trade by making unitary control a reality, injustice is not done to a section which has built up a stake in the trade and which desires to continue in the trade.

8. My Committee believe that there is some obvious misunderstanding of the implications in the recommendation contained in paragraph 7 of the Report to the effect that

"forward trading" in places outside Bombay may be permitted provided it is confined to delivery contracts (that is today, broadly speaking, contracts in which delivery is compulsory, but transfer is not prohibited) in local growths of cotton not covered by the Hedge contracts of the East India Cotton Association. Moreover, Government contemplate that such trading should be possible only under definite permission and that permission would be given on the basis of regional associations set up and recognized for the purpose. My Committee are unable to agree with the above point of view. Restrictions on that basis would lead to practical difficulties in the handling and marketing of cotton. While they support the main object of Government that Hedge trading should be confined to one recognized Association for the whole province, they are of the view that (*a*) so far as delivery contracts are concerned, forward trading in delivery contracts (such contracts being transferable) should be permitted in upcountry centres so long as such trading is confined to local growths of the district, and (*b*) delivery contracts non-transferable (where actual delivery is contemplated) for any growths must be permitted without any official legal restriction. Forward trading in delivery contracts in places outside Bombay is very essential for the ordinary making of cotton. Even at present, such trading is taking place all over the province, although there are no recognized or voluntary associations in such places regulating forward trading. Each district or region has evolved its own terms and conditions of contract. To prohibit all these contracts until such time as an Association is formed for the purpose and is authorized to carry on forward trading, is to put avoidable difficulties and handicaps in the way of marketing of cotton in the mofussil centres. My Committee, therefore, feel that forward-trading in (*a*) delivery contracts in local growths and (*b*) delivery contracts non-transferable for any growths, should be permitted in upcountry centres. In giving effect to this part of the recommendation contained in the Cabinet Committee's Report, the above aspect will be given due and proper attention.

9. In paragraph 9 of the Report the Cabinet Committee have recommended that under the control legislation Government should have power to nominate the President or one or more members of the Board of any recognized Association and that the said power should also include power to supersede the entire Board, including the President of any recognized Association. My Committee do not see the justification for such extraordinary powers. While they realize that they are intended to be used only in an emergency, they believe that even the reserve powers of general control and supervision should conform to some accepted standards of not

infringing the democracy or the autonomy of the organization concerned. Where Government find it necessary to supersede a Board for the time being, the power of appointing the successors should revert to the members of the Organization. At all events, Government should not have power to impose a President of their choice on the recognized association. It is requested that the recommendation contained in this paragraph be reconsidered.

10. The reforms contemplated by changes in the Cabinet Committee's Report are of an experimental character. The experience of the working of the same should be watched and Government should arrange that the entire position be reviewed at the end of a period of 3 to 5 years, so that there may be an opportunity to bring about such changes as may be deemed necessary in the light of the working of the scheme. In order to provide an occasion for such an automatic review, my Committee suggest that the duration of the legislation giving effect to the Control should be first limited to a period of 3 to 5 years. My Committee have not herein dealt with some of the provisions in the nature of details arising out of the recommendations of the Cabinet Committee. No doubt, they will have an opportunity of dealing with such matters when the Bill giving effect to the final proposals of Government is circulated in due course for eliciting public opinion.

APPENDIX 43

Bombay Forward Contracts Control Bill, 1947.

Letter No. 2721, dated 6th October 1947, from Chamber to the Finance Department, Government of Bombay.

I am directed by the Committee of the Indian Merchants' Chamber to place before the Government of Bombay their views and suggestions on the Bill to provide for the Regulation and Control of Forward Contracts introduced in the Bombay Legislative Assembly in its current session.

In this connection, I am to point out that the organizations representing commercial interests expected that, having regard to its importance and the far-reaching nature of its provisions, the Bill would be circulated for eliciting public opinion and that Government would afford every opportunity to those concerned to express their views on the same before proceeding with the further stages of the legislation. In fact, a telegram to that effect was also sent by the Committee of the Chamber to the Honourable the Finance Minister on the 27th September last. It transpires, however, that the Bill has been referred to a Select Committee of the Legislature and that the Select Committee is expected to submit its Report

before the 13th of this month. The representatives of the Associations concerned with the trade in the goods and commodities likely to be covered by the legislation had occasion to meet in the Chamber recently for informal consultation on the provisions of the Bill; the interests represented at that meeting strongly felt that in a matter of such far-reaching importance Government should hasten slowly and should give to the interests concerned every opportunity of submitting their considered views and suggestions and, to that end, agree to the Bill being circulated, the further stages of the completion of the legislative formalities being suitably extended. If, however, having regard to the rules governing consideration of Bills by the Houses of Legislature—the matter having now been formally referred to the Select Committee—Government are not in a position to change the procedure, it is submitted that at least Government will be good enough to agree to extend the period for the Report by the Select Committee and, in the meantime, to departmentally order the circulation of the Bill to all the interests concerned, giving them adequate time for formulating their views. Incidentally, it may not be out of place to mention that some of the interests even complained of the difficulties experienced in getting copies of the Bill. My Committee hope that Government will have no difficulty in agreeing to the above procedure.

In the meanwhile, my Committee are sending hereby their views and suggestions on some of the main aspects of the provisions contained in the Bill. They hope that they will have a further opportunity of examining the provisions in greater detail and, if necessary, submitting their supplementary views on such matters of detail.

At present, Government by law exercise control over forward markets only in regard to Cotton and Stocks and Shares. The Bill, however, enables Government to extend the control over forward trading in other goods and commodities. In the past, even in respect of the control on forward trading in cotton and stocks and shares, the same was exercised and regulated through separate legislation for each. My Committee would very much have preferred a similar procedure and would submit that each trade must be regulated by a legislation of exclusive application, so that the special needs, requirements and features may be taken into account and suitably provided for in the controlling measure. If, however, Government are inclined to the view that the control should be exercised through a general Act as outlined in the Bill, Government having the necessary discretion to extend same to such goods and commodities as they may from time to time decide, my Committee would submit that for the time being at any rate the control should

be confined to stocks and shares and cotton, and that before extending the control to any other goods or commodities Government should consult the interests directly concerned, so that the control would be extended to other goods only on the basis of some measure of informal agreement between Government and the organizations directly representing the interests in the respective commodities. Such a procedure is all the more necessary, because such consultation as had taken place in the past in regard to the future of the control on forward trading was mainly confined to the scheme of control for stocks and shares and for cotton. Even in regard to Bullion, Government had only issued a preliminary questionnaire and have not, as in the case of cotton, formulated their own proposals on the basis of the views expressed in reply to the questionnaire. My Committee, therefore, suggest that an assurance to the effect that at the first stage the control would apply only to stocks and shares and cotton and that, before extending the measure to other commodities, the interests concerned would be consulted and their views duly taken into due consideration, should be given and, if possible, a suitable proviso to that effect be incorporated in the Bill.

The legislation will apply in such areas in the Bombay province as Government by notification may prescribe. Although Bombay may be the principal centre for forward trading in some of the goods and commodities likely to be covered by the control, such forward trading takes place in centres outside the Province also. In the absence of similar co-ordinated action in other provinces and States, the risk of migration of business is a matter deserving consideration. It is not unlikely that if the provisions of the control under the scheme adumbrated in the Bill are found irksome in certain directions, the interests who may be operating in the respective markets in Bombay at present, may transfer their activities to centres free from such control. The markets in Bombay in some of the important commodities in which forward trading takes place exercise a large measure of all-India influence, and it would not be in the interests of the trade in this province generally to take any steps which would reduce the importance and influence of the Bombay markets. My Committee are emphasizing this aspect, with a view to indicating the need for some measure of co-ordinated action as between the Provinces and States, so that a common policy and programme is evolved applicable to the whole of the Indian Union, thereby bringing about uniformity in conditions of trade in all the centres in which forward trading takes place on any significant scale.

Clause 3—Recognition of Associations :

This clause provides for the recognition of Associations for the purpose of regulating and controlling forward trading. The Committee of this Chamber had expressed themselves in favour of the principle of unitary control ; at the same time, they had suggested that before enforcing unitary control, care should be taken to see that the recognized Association within its framework assimilates the interests represented in the associations already existing controlling and regulating the business of forward trading in any particular goods or commodities. Although under the clause as worded there is nothing to prevent Government recognizing more than one association for any distinct trade, my Committee would like to know if under the scheme of the control embodied in the Bill strict adherence to the principle of unitary control is contemplated. At all events, they feel that as a matter of general policy recognition should be confined to one association for a particular trade, unless Government feel that, for reasons of a special or individual character in any particular trade, recognition of more than one association is unavoidable.

Clause 4 :

The Powers reserved to the Provincial Government to remove and appoint President, members of the Governing Body and etc. of a recognized Association have naturally been very vehemently opposed by all the interests concerned. While commenting on the recommendations contained in the Report of the Cabinet Committee on Forward Trading in Cotton, my Committee observed that, although the said powers were intended to be used only in an emergency, even reserved powers of general control and supervision should conform to some accepted standards of not infringing the democracy or autonomy of the organization concerned. My Committee realize that the conferment by recognition of exclusive privilege of forward trading on a recognized association imposes a corresponding responsibility on Government to ensure that the activities of the Association are conducted in a manner strictly in keeping with the spirit and requirements of the control scheme. They, however, believe that the power retained under clause 3(4) to withdraw the recognition from an association is a sufficient deterrent and that, therefore, there is no need for provisions which would enable Government to supersede the President and members of the Governing Body of a recognized Association and to impose a Governing Body of their own choice. Incidentally it may be pointed out that under clause 4(1) Government may remove even a member of a recognized association. My Committee believe that this is a drafting error and that Government have

no intention of interfering with the membership rights of an individual member. Disciplinary action against any delinquent member should be a matter to be dealt with by internal disciplinary bye-laws and the right of expelling a member should exclusively vest in the authorities of the association as provided for in such bye-laws that may be framed for the purpose.

If, notwithstanding the above objections, Government feel that some special powers, which would enable them to remove the President and Office-bearers of a recognized Association under exceptional circumstances, are necessary, there should at least be some specific provisions in the Act which would prevent the said powers being exercised capriciously and vexatiously; the safeguards should include provisions for the service of adequate notice to a recognized association calling upon the authorities to show cause why action should not be taken in that direction and reasonable opportunities to the authorities of the association to submit their explanation. In an extreme case, where Government find it necessary to supersede the Board for the time being at all events the power of appointing the successors should revert to the members of the association; Government should not have power to impose a President and a Governing Body of their choice on a recognized association.

Clause 5:

This clause empowers the Provincial Government to make rules and add to, vary or rescind the Articles of the Association of a recognized Association. Under clause 3, the rules and regulations and changes thereof are subject to the previous approval and sanction of Government. The above powers are sufficient to ensure that the rules in question are such as are considered by Government within the interests of the trade. My Committee feel that there is no particular justification for additional powers to Government to impose fresh rules, and vary or rescind rules and articles by executive action. The change which Government consider necessary should be brought about by the willing consent of the recognized association on an agreed basis after informal consultation. After all, the discretionary powers enjoyed by Government in regard to the continuance of recognition or otherwise of a particular association would in themselves be a sufficient check to induce the authorities of the Association concerned to bring about such changes in the rules and articles as Government may deem to be desirable in the interests of the trade.

While on this, my Committee would like to make a reference of a constitutional aspect, to which their attention has

been drawn. Some of the existing associations have been formed within the framework of the Indian Companies Act. Matters concerning the change in the articles of such an association are governed by Section 20 of the said Act, and changes can be effected only in accordance with the procedure prescribed under that Act. The point whether the Provincial Government can bring about a change in the articles of association of a company of that character, without the necessary formalities having been gone through as required under the Indian Companies Act, is a matter which should be looked into from the legal aspect. Similarly, Government will also be good enough to examine whether the provision is in any way contrary to the existing arrangements about distribution of powers as between the Centre and the Provinces under the Government of India Act.

Clause 7 :

Under this clause, the Provincial Government is empowered to make bye-laws, add to, vary or rescind any bye-laws of a recognized association. All such changes should be attempted and effected after prior consultation with the association concerned. In any case, the requirement in regard to the previous publication inviting objections and suggestions should not under any circumstances be waived and the proviso to sub-clause (3) should, therefore, be deleted.

Moreover, under sub-clause (2) of the clause, additions or changes made by Government are to have retrospective effect and will apply even to contracts previously entered into. Government should not seek to vary existing contractual rights and obligations acquired and incurred *bona fide* on the basis of the rules and regulations as were in force at the time of entering into the contract. The changes should not be made during the currency of a seasonal trading period and should be applicable only for subsequent contracts and transactions.

Clause 8 :

Under this clause, any forward contract which is not in accordance with the bye-laws of the recognized association or between members or through a member of a recognized association shall be illegal and no claim of any description in respect of such contracts shall be entertained in any Civil Court. In the past, contracts not in accordance with the bye-laws of a recognized association were only deemed to be invalid, but not illegal. My Committee had agreed to the necessity for invoking the penalty of illegality to deter

transactions outside the orbit of the recognized medium, when they submitted their views on the recommendations of the Cabinet Committee on Control of Forward Trading in Cotton. They have, however, further examined the provisions contained in the clause as drafted. It has been suggested that the clause as it stands would prohibit Principals' Contracts. In the absence of such contracts, business between brokers in Bombay and in other centres in the rest of India would be rendered impossible, as such transactions could not be put through on Agency basis. This ambiguity should be cleared by the addition of a suitable proviso to the effect that Principals' Contracts should not be entered into without first securing the constituents' consent in writing. Another important point arising out of this clause is forward contracts might become illegal for any breach of any bye-law, including disciplinary bye-laws, committed by any of the parties to the contract, be it the broker or the constituent or both. It cannot be the intention of Government to attach the consequence of illegality for breaches of bye-laws which merely regulate day-to-day trading and are of a formal character. Some distinction should be made and the penalty should attach only to breaches of the main bye-laws of business and bye-laws governing the making of contracts, and not to breaches of other bye-laws. The bye-laws, breaches of which would be attracted by the penalty of illegality, should be separately enumerated.

It is also necessary to ensure that only the wrong-doer suffers from this penalty of illegality. Wilful violation by one party of any of the rules should not result in extinguishing the civil rights of the other party to the contract, if such other party had no actual notice that the contract in any way contravened the requirements of law. This is a very important point, and Government will be good enough to give the matter due consideration, so that the provision in the law, which would render contracts which are not under the bye-laws of the recognized association illegal, will not serve to be a refuge to unscrupulous elements in getting out of their legal obligations and commitments.

Clause 10(2) :

Efforts to organize an association with a view to securing subsequent recognition should not be deemed as an offence. Only actual trading in an unrecognized association should be deemed as illegal. As a preliminary to approaching Government for securing recognition for an association, preparatory steps may have to be taken for promoting such an association. This should not be prevented. The mischief will begin only when forward trading is actually

carried on through the medium of such an association. My Committee, therefore, suggest that while organizing or assisting in organizing an association, which is not recognized by itself, should not be a penal offence, actual trading in an unrecognized association should be deemed illegal.

My Committee request that Government will be good enough to give the above views and suggestions their favourable consideration.

APPENDIX 44

Agricultural Produce Export (Quality Control) Bill, 1946.

Letter No. 1025, dated 22nd April 1947, from Chamber to the Department of Agriculture, Government of India.

I am directed to refer to your letter No. F. 2-94|46 Co dated the 10th March 1947 forwarding a copy of the Bill to provide for the standardisation of contract terms for the purchase and sale of agricultural produce, and in reply to send hereby the views and observations of my Committee on the proposals therein.

My Committee note that Government propose to enact legislation for an effective control over the quality of agricultural produce including Sann Hemp and Tobacco, exported out of India and creating the necessary machinery for grading and standardisation of agricultural produce including such produce of agriculture, horticulture, animal husbandry, fisheries and forestry, which may be included in Schedule I of the proposed Act from time to time. Further, every exporter of agricultural Market Adviser to the Government of India and such agricultural produce not conforming to the standards prescribed under the proposed legislation would not be permitted for purposes of export.

In this connection, my Committee would like to recall that in the year 1946 the Government of India had invited the views of the Chamber on a proposal to entrust Trade Associations recognised for the purpose with the work of checking the quality of goods etc. exported from the country. The Committee of the Chamber had then expressed themselves in favour of the proposal, subject to a modification that such work should be entrusted to the principal Chambers of Commerce in the port centres concerned. Besides, the Government of India have also set up an Indian Standards Institution which is expected to prescribe standards for the main articles or groups of articles exported from the country, and it is further expected to take steps to ensure that the scheme of standards laid down is directly adhered to both for purposes of internal trade and export trade.

At the outset, my Committee are of the opinion that in the existing conditions obtaining in the country any attempt to regulate and control the quality of produce for export alone without a corresponding control so far as internal trade is concerned would present difficulties in practical working, as a shipper or an exporter may not find it feasible to conform to the standards laid down by the control for export purposes unless he is at the same time in a position to procure goods of the same standard and quality at the various stages of his transactions in the internal market. Again the problem of securing adherence to such standards as may be prescribed under the provisions of the Bill in Indian States will also present further practical difficulties. Besides, this will further raise the question of the importing countries agreeing to consider and accept such standards as final. In view of these considerations, my Committee are of the view that no legislative enactment is desirable at the moment.

My Committee, however, suggest that steps for maintaining standards and controlling quality of goods exported should be attempted and undertaken on a voluntary basis and that the work of regulating exports on such voluntary basis should be entrusted to such Chambers of Commerce or Trade Associations specially recognised for the purpose and if it is considered desirable and necessary, legislation vesting the Associations with the necessary authority may be undertaken. Besides, with a view to obviate the practical difficulties which are likely to be experienced in achieving the objective of standardising qualities for the purpose of export, they feel that such efforts should cover internal trade also and should apply at least in the terminal markets so far as internal trade is concerned.

My Committee would further like to add that in respect of transactions in such goods as are governed by terms and conditions mutually agreed upon as to standard and quality between the buyer and the seller, it should be clearly laid down that such transactions for supply or export of goods of standard or quality even if different from those prescribed, should not be prevented. Moreover, it is necessary to emphasise that in certain lines, exports have developed their own special standards and quality marks and the proposed measure should not come in the way of the use of such standards when mutually agreed upon between the buyer and the seller in the respective contracts.

In conclusion, my Committee submit that under the existing circumstances and in view of the reasons outlined above they are not in favour of regulating and controlling of the sale on the purchase of agricultural produce, by any

legislative enactment as proposed for the standardisation of contract terms. Instead, they strongly advocate the voluntary basis outlined above and that the same should apply only to commodities in respect of which there had been occasions for complaint. They, therefore, do not propose to examine the detailed provisions of the Bill at this stage.

APPENDIX 45

Bill to provide for Standardisation of Contract Terms for the Purchase and Sale of Agricultural Produce.

Letter No. 1596, dated 21st June 1947, from Chamber to the Department of Agriculture, Government of India.

I am directed to refer to your letter No. 2-5|46-Co. dated the 5th February 1947, and in reply to send to you hereby the views of my Committee on the proposal therein to introduce legislation providing for the standardisation of contract terms for the purchase and sale of agricultural produce.

The draft Bill circulated therewith seeks to empower the Central Government to make rules for the purpose of fixing standard contract terms for the conduct of business in any of the articles specified in the relevant Notification. Transactions in the articles so included within the scope of the legislation, other than in accordance with the provisions of the standard contract, would be deemed void. Moreover, parties to a transaction in any articles covered by the Control, except when the transaction is in conformity with the prescribed standards and requirements, would be punishable with fine which may extend to Rs. 1,000 in respect of each such transaction.

My Committee would, in this connection, like to recall that by a separate reference dated 14th February 1947 Government had invited the views of the Chamber and other commercial organisations on a proposal to introduce legislation for controlling the quality of agricultural produce meant for export from the country. In their reply dated 22nd April 1947 my Committee had expressed the view that steps for maintaining standards and controlling quality of goods exported from the country should be attempted and undertaken on a voluntary basis and that the work of regulating exports on such voluntary basis should be entrusted to Chambers of Commerce or Trade Associations specially recognised for the purpose. They had also stated that they were not in favour of any legal control on quality by the Central Government undertaking special legislations for the purpose. In short, efforts to standardise and regulate quality should be mainly attempted on a voluntary basis and that

imposed control by legislative process would lead to considerable difficulties in practical working.

The above views, more or less, equally apply to the proposal for introducing legislation to provide for the standardisation of Contract Terms for the purchase and sale of agricultural produce. It is relevant, in this connection, to point out that the question of standardising the terms and conditions of business in respect of the main agricultural produce of the country was more than once discussed by Conferences of representative trade interests and organisations convened in the past by the Agricultural Marketing Advisor. While there was general agreement on the need for securing a fair degree of standardisation, it was also, at the same time, conceded that such standardisation should, more or less, be attempted and achieved on a voluntary basis under the terms and conditions prescribed by organised trade associations representing the trade in any particular article or group of articles. For some of the agricultural produce like cotton, oilseeds, wheat etc., there are already in force standard contracts governing the purchase and sale of such produce.

My Committee would here like to point out certain practical difficulties in securing the standardisation of trade in agricultural produce through the process of legislative compulsion. The quality of the same product may vary from province to province due to climatic and other factors. Similarly, the conditions of trade are also not uniform. Any attempt, therefore, to standardise on a legal basis, the trade in respect of agricultural commodities for the whole of India as one unit is likely to present practical difficulties in actual working. My Committee, therefore, reiterate that schemes of standardisation should be attempted on a voluntary basis and important and organised Trade Associations for the respective trades should be encouraged to develop and enforce standard conditions of trade with reference to a particular product or group of products. The proposals for introducing an element of compulsion through legislation for prescribing standards and enforcing adherence thereto should be abandoned.

It may not be out of place in passing to mention that the development in the constitutional sphere, which perhaps was not envisaged when the proposals were mooted, will have some important bearing in determining the scope and nature of legislation dealing with matters relating to exports from the country. The country is yet to have a clear picture of the extent to which uniformity in policies, so far as the different parts of India are concerned, will be possible. At all events, it will be readily conceded that legislation impos-

ing control of the kind under discussion will be rendered completely nugatory if the control did not apply or could not be enforced over wide areas within the country itself.

Having regard to the foregoing considerations, my Committee submit that the Government of India should encourage efforts for standardising contract terms for the purchase and sale of agricultural produce mainly on a voluntary basis, there being no legislative compulsion in the process.

APPENDIX 46

Bill to provide for the Regulation and Licensing of Warehouses in the Province of Bombay.

Letter No. 2723, dated 4th October 1947, from Chamber to the Finance Department, Government of Bombay.

I am directed by the Committee of the Indian Merchants' Chamber to send to you hereby their views on the provisions contained in the Bill to provide for the regulation and licensing of warehouses in the Province of Bombay.

The Bill seeks to encourage the establishment of licensed warehouses for the storage of agricultural produce under official supervision and control. The establishment of such independent warehouses, it is expected, will increase credit facilities available for agriculturists as on the security of receipts issued by the licensed warehouses for goods stored in such warehouses, it would be possible for the agriculturists to raise short-term loans at low rates of interest for the purpose of financing seasonal agricultural operations. The warehouse receipts, it is proposed, would be deemed as eligible Paper for purposes of rediscount facilities by the Reserve Bank. The Indian Central Banking Enquiry Committee had recommended steps to encourage the setting up of licensed warehouses by private agencies. The Committee of my Chamber had also in the past generally expressed themselves in agreement with the need for a system of licensed warehouses. They are, therefore, in general agreement with the main proposals underlying the Bill.

At the same time, they feel that the introduction of a system of licensed warehouses should not prevent the existence of private warehouses. Under Clause 3 of the Bill it is provided that no person shall, without a licence, carry on the business of a warehouseman or represent or hold himself out as a licensed warehouseman. Clause 2(i) defines the term warehouseman as a person or firm carrying on the business of storing goods on behalf of depositors and issuing receipts therefor. Again under clause 21, a warehouseman

other than a Co-operative Society is precluded from lending money on or dealing in goods which he receives for storage in his warehouse. It is feared that the cumulative effect of the above provision would be that the existing trade practice of *muccadami* and commission agency under which advances are made against the security of goods stored in warehouses would be seriously interfered with. The primary object of the legislation is the provision of increased credit facilities for the agriculturists. The steps proposed for achieving that objective should at the same time not result in any way interfering with or minimising the credit facilities that are available under the present arrangements and practice. In any case, my Committee are of the considered view that the institution of a system of licensed warehouses should not prevent private persons and firms from carrying on the business of storing goods on behalf of depositors and issuing receipts therefor as at present, the only limitation being that such private warehouses should not be entitled to the privilege sought to be conferred on licensed warehouses by making such warehouse receipts transferable by endorsement. In short, firstly the Bill should not prohibit the existence of unlicensed warehouses receiving goods on behalf of depositors for purposes of storage and secondly the restriction against a warehouseman other than a Co-operative Society lending money against goods in a warehouse should apply only to warehouseman and warehouses licensed under the new legislation and that private warehouses which do not get themselves licensed and as such do not seek the privileges attached to a licensed warehouse should be free to carry on the business of storing goods on behalf of depositors, dealing in such goods or lending money against the security of such goods. My Committee hope that Government will be good enough to take the necessary steps to include suitable provisions in the Bill which would make it clear that even after the introduction of a system of licensed warehouses, private warehouses shall be allowed to continue the business of warehousing as in the past subject to the limitation that such warehouses would not be entitled to the special privileges conferred on licensed warehouses under the new measure.

The provisions in the Bill relating to weighing, sampling and classification of goods in licensed warehouses can be fully understood only when the relevant rules prescribing the necessary procedure and machinery are formulated and published. Having regard, however, to the experience of the working of the system of grading under the Agmark, my Committee feel doubtful if an ordinary licensed warehouseman will be able to develop and maintain

the necessary machinery with reasonable expert knowledge for securing the correct classification and grading of goods stored in a warehouse. It is, however, not possible at this stage to make specific suggestions in regard to these provisions in the absence of the complete picture of the proposals which Government have in view. When the detailed rules prescribing the qualifications of weighers, samplers, classifiers etc., are framed, my Committee would like to be afforded an opportunity of examining the same and making their comments and suggestions for the consideration of Government.

Obviously Government intend to set up a special "authority" to carry out the duties under the Act. The Bill, however, does not contain any indication of the nature, composition and powers of the prescribed "authority". It is also not known whether Government intend to appoint a statutory Board or similar agency for the purpose. It may not be out of place in this connection to point out that the Central Banking Enquiry Committee had suggested that the work of licensing of warehouses should be entrusted to a Licensing Board consisting of one Government Officer and a number of representatives of local business interests. The Banking Enquiry Committee also recommended smaller Local Licensing Boards for District areas. My Committee trust that Government will bear the above recommendations in view when formulating their detailed rules for giving effect to the scheme and for setting up the necessary "authority" empowered to carry out the duties under the Act.

While on this, my Committee would like to draw the attention of Government to a difficulty experienced by the public in understanding and appreciating the full implications of the provisions in a Bill of this character in the absence of explanatory notes on the different clauses. It is a recognised procedure to append detailed notes on clauses to legislative Bills particularly when such Bills deal with matters of a specialised character. In the absence of such notes, while considering the above Bill, certain doubts were felt regarding the exact implications of some of the clauses. My Committee submit that in the future Government should adhere to the salutary practice of appending explanatory notes on the clauses to all Bills.

APPENDIX 47

Report of the Sales Tax Enquiry Committee.

Letter No. 1514, dated 11th June 1947, from Chamber to the Finance Department, Government of Bombay.

The Committee of the Indian Merchants' Chamber have considered the recommendations contained in the Report of

the Bombay Sales Tax Enquiry Committee, 1946. The Enquiry Committee were appointed as a result of criticisms, complaints and suggestions made by various Trade Associations and the general public regarding the provisions of the Sales Tax Act, 1946, for the purpose of examining whether the scheme of Sales Tax adopted by the Sales Tax Act, 1946 and the rules thereunder required modifications and if so, to indicate the lines of modifications. My Committee are glad to observe that the Enquiry Committee had taken every care to see that all points of view were adequately represented during the course of the investigation and were good enough to contact almost all the important interests representing different trades to submit their suggestions and views on the various aspects of the provisions contained in the Sales Tax Act.

Although under the terms of reference, the Enquiry Committee had been given wide scope, the enquiry was confined to examining the scheme of Sales Tax under the present Act in all its aspects with a view to recommending modifications in the basis, method and procedure of levying Sales Tax; the Committee, however, did not consider the larger question whether this form of taxation was necessary or justified, because in the opinion of the Committee "an abolition of the tax could, however, be recommended by them under the terms of reference only if they found that with no modifications whatever, could the Sales Tax be made workable in this province." Even at this stage, my Committee would like to emphasise that the concensus of opinion among the commerical community is that both on grounds of financial needs of the Presidency, and of the difficulties inherent in working the scheme, the case in favour of abolishing the tax altogether continues to be overwhelming. They have found it necessary to re-state this view so that their having made suggestions on the detailed aspects of the recommendations made by the Sales Tax Enquiry Committee should not in any way be construed as signifying an attitude of acquiescene to the scheme of taxation as a whole.

The recommendations contained in the Report of the Enquiry Committee may be broadly divided into two parts viz: (*a*) those embodying changes in response to suggestions made by the public bodies and in the nature of reliefs and adjustments to meet practical difficulties in working and (*b*) major changes regarding the scope of the levy. Among the suggestions in the first category are the proposals to exclude contractors from the purview of the Act, relaxation in the turnover limits for tax liability, facilities for voluntary registration, modifications in the form of Certificate of Registration, special facilities for dealers with smaller turn-

over and steps to minimise administrative harassment. My Committee are glad to note that Government have already given effect to a number of recommendations under this category by suitably amending the Act.

In the sphere of changes regarding the scope of the levy, the Enquiry Committee by majority has recommended the adoption of a general turnover tax in place of the present single point tax. Mr. Mahomed Husein Hasham Premji, a Member of the Committee, however, has dissented from this view and has stressed that between the two systems, the single point tax should be preferred. My Committee have no desire at this stage, to enter into an elaborate discussion of the comparative merits or drawbacks as between the two systems. In fact, this is not a new issue and it has already been pointed out in the previous discussions on the subject that the incidence of a multi-point tax was unequal, that it increases the cost of manufacture, that the province being an important centre of enterpot trade, the tax would be levied even on goods passing through it, but meant for consumption outside, that having regard to the existing organisation for the handling of trade in the Presidency where articles in common use by a large number of population pass through many stages, the turnover tax will have the effect of multiple taxation of the same goods at different stages and that even in the matter of administration, the turnover tax did not offer any specific advantage over the single point levy. In the above view of the case, my Committee are strongly of the opinion that if the Sales Tax is to continue, the existing single point system has much to commend itself in preference to a general turnover tax. They, therefore, emphasise that Government should not give effect to the recommendations of the Majority in this regard, but should continue to levy, so far as the tax is in force, a single point tax.

Another recommendation of the Committee to which the Committee of my Chamber cannot subscribe is the proposal for the curtailment of the existing schedule of exemptions on the ground that such exemptions should be mainly confined to articles and commodities essential for the common man. My Committee are strongly against any such move. In fact, it may be recalled that when the Sales Tax Act was first introduced, the list of exemptions contained lesser number of items. Subsequently, in response to representations from the interests concerned, the list was enlarged. It is reasonable to assume that at the time of such enlargement, Government went into each case specially and the exemption was granted for good and sufficient reason. There is no justification whatsoever for reversing the process at this

stage. The existing exemption should, therefore, be retained. On the other hand, Government have since received further suggestions for additional exemptions and all these suggestions should be looked into and where justified, further exemptions should be favourably considered.

Strong views had been expressed with regard to the powers given under the Act to the officials of the Sales Tax Department for inspecting Accounts, for entering and searching business premises, for seizure and retention of Account Books, etc. Unfortunately, the Enquiry Committee have not seen their way to recommend the complete abolition of these powers. They have only suggested that care should be taken to ensure that the powers would be delegated only to highly placed officers above a particular cadre. My Committee fear that the limitation in the scope of delegation is not sufficient safeguard for eliminating abuse of these powers. They are, therefore, strongly opposed to the provisions in this regard and suggest that the above aspect may please be reviewed and the Act so amended as to remove these extraordinary powers vested in the executive under the Act.

My Committee would, on this occasion, like to bring to the notice of the Government one small difficulty, although not arising directly from the recommendations of the Enquiry Committee. It is a common practice between the parties who have regular and continuous trade relations to allow at the end of a specified period, rebate or discounts based on turnover or other similar factors. Sometimes, at the time of adjustment and settlement of accounts, the seller is obliged to show some further consideration to the buyer by agreeing to a general reduction or discount. Obviously, there is no provision for relief in respect of such subsequent remissions. The Sales Tax would have to be paid on the full amount of the original sales made from time to time. The possibility of vesting the Department with some discretionary powers for relieving deductions and concessions of the above kind from liability to tax may well be examined by Government and suitable provisions made in the Act or the Rules to meet the contingency.

APPENDIX 48

Amendment to Indian Insurance Rules, 1939.

Letter No. 663, dated 17th March 1947, from Chamber to the Department of Commerce, Government of India.

I am directed to refer to Government Notification No. 597-I(3)|47, dated the 18th January 1947 publishing the draft of certain amendments proposed to the Indian Insurance

Rules and to send to you hereby the views of my Committee on the same. The proposed new sub-rule 3-B provides that Insurance Companies shall prepare and furnish, on demand from prospective candidates for election as Policyholders' Directors, a list giving the names and addresses of policyholders holding policies of Life Insurance, issued not less than six months before the date of Election, on payment of the fees stipulated therein for the purpose. My Committee appreciate that, the Insurance Act having recognized the right of policyholders for being directly represented on the Board of Management and having given the right to any qualified policyholder to so stand for election, it is but in the fitness of things that any policyholder intending to take advantage and exercise that right should be given all reasonable and normal facilities to enable him to do so. They, therefore, approve the principle underlying the proposed new rule and agree to suitable provisions being made, imposing an obligation on Life Insurance Companies to furnish such lists on application from prospective candidates for election as Policyholders' Directors. At the same time, it is necessary to ensure that this right is not exercised in a vexatious or a lighthearted manner. The preparation of a list of policyholders with all the details connected therewith naturally involves considerable time and labour. The expenses are also likely to be fairly substantial. It is, therefore, necessary to take steps to safeguard that only those who are *bona fide* in their intention for standing for election take advantage of this facility and towards that end my Committee suggest that the following safeguards should be included in the proposed additional rule.

The draft rule requires that a copy of the list of eligible policyholders shall be supplied to the applicants concerned at least two months before the date of the election or within 14 days of the payment of the fees by the applicant, whichever is later. In the case of Insurance Companies with a large number of policyholders the preparation of such a list will take a long time. My Committee feel that Government should take note of this practical difficulty and allow longer time for the supply of the list to the applicants concerned.

The rule provides that the company shall be entitled to recover from the applicant a charge for the supply of the list calculated at the rate of Re. 1 for every one thousand names or fractional part thereof. The above rate has not taken due account of the cost likely to be incurred by the Insurance Company in the process of preparation of copies of the list. My Committee recommend that the same scale of charges as in force under the requirement of the Indian Companies Act for the purpose of supply of a list of shareholders may be

adopted in this case also and the rule should fix a rate of fee of as. 6 per 90 words. This will further ensure that the list is asked for only by those who are really serious in putting forward their candidature for the election.

Further, any candidate standing for election as a Policy-holders' Director should be required to furnish a deposit of Rs. 500 and the said deposit should be liable to be forfeited in case the candidate did not get a prescribed percentage of the total number of votes cast in connection with the election. The above provisions are indicated with a view to ensure that only those who have reasonable chances of success put up their candidature and ask for the list and that there may not be any attempt to use the privileges afforded by the proposed new rules for securing copies of the list by putting up nominees for election who are really not serious of contesting the election or who have no reasonable chance of getting elected.

It is also necessary to provide that accidental omissions or mistakes in the preparation of such lists by the Company should be automatically condoned and should not make them liable for any subsequent action.

My Committee hope that Government will be pleased to examine the above suggestions and modify the draft rule in question accordingly.

APPENDIX 49

Workmen's State Insurance Bill.

Letter No. 517, dated 26th February 1947, from Chamber to the Commissioner of Labour, Bombay.

I am directed to refer to your letters No. LQ.IV, dated the 14th December 1946 and LQ.IV|818, dated the 17th January 1947 inviting the views of the Committee of my Chamber on the above Bill. At the outset, my Committee regret that they were not able to reply your two communications on the due date fixed for submission of their views on the Bill; they would like to point out that the delay was caused by their various pre-occupations in connection with other urgent matters which awaited disposal. They trust that their views submitted hereunder will be given due consideration by Government.

2. My Committee note that the Scheme envisaged under the Workmen's State Insurance Bill provides for compulsory State insurance of industrial workers giving certain benefits in the event of sickness, maternity and employment injury to workmen. They also note that the administration of the con-

duct of the Scheme is to be entrusted to a Corporation constituted by Central legislation and that the functions of the said Corporation will be performed by a Central Board constituted by representatives of the Central and Provincial Governments, Employees, Workers, Medical profession, etc. My Committee have considered the full implications of the provisions of the Bill and they approve in principle the objects underlying the Bill. They, however, wish to draw the attention of Government to certain aspects which appear, in their opinion, to have been left out of consideration and which may be brought in the purview of the Scheme for a fuller realization of the objectives which the Scheme aims at. If the scheme is to be made fully effective from the point of view of its application to the whole of India, the Indian States should also be persuaded to enact similar legislation in their territories. My Committee feel that if the Indian States also accept the need and urgency of such benefits to workmen under their care, the competitive capacity of the industries established in British India will not seriously be jeopardized.

3. My Committee are of the opinion that under the conditions at present obtaining in the industrial as well as economic spheres, the Scheme should be made applicable as a whole to the industrial workers in the country. It is, however, necessary that if the Scheme is to apply to all industrial workers in the country, some relief should be devised under the provisions of the Bill to new industries which may not be in a position to bear the financial burden falling upon them therefrom. It is up to Government to find out ways and means whereby such relief may be given to new enterprises. They might, however, suggest that such help and assistance may be included in the protection or subsidy which Government may grant to the new industries.

4. The benefits under the Scheme are to be enjoyed by the industrial workers only. Side by side with such a legislation, Government should provide for suitable measures for securing benefits of a similar nature to workers in cottage industries also.

5. Under the Scheme those working in a clerical capacity in factories are excluded from the scope and operation of the Scheme. In the opinion of my Committee, it would be neither right nor proper to deprive the clerical staff working in factories of such benefits. A large proportion of such clerical staff under the present schedule of pays and allowances are in no sense financially better off than the workers.

6. My Committee further suggest the following modifications in some of the clauses of the Bill :

It is provided under Chapter IV—Contributions, that if a workman is not engaged in work for any whole week, the employer will not be liable to pay contribution for that week; but where the workman is paid wages for a portion of the week, the employer will be liable to pay both the employer's and the workman's contributions for that week in full; the employer is, however, entitled to recover from the workman as his share of contribution only such amount as is proportionate to the number of days in the week for which such workman is paid wages. Such a provision it is felt, is unfair to the employer and as such an unjustifiable burden on him. It should be provided that the employer should be made to contribute only proportionately.

While the scheme provides a schedule for contribution by the worker and the employer, there is no obligation on the part of the Central Government to make any contribution towards the working of the Scheme. It is suggested that in the absence of any State contribution to the Fund, provision should be made for the Central Government to bear the cost of the administration of the Scheme. They should also bear the expenses incurred in the running of the Workmen's State Insurance Courts established under the provisions of the Bill.

Government are aware that the Workmen's Compensation Act provides relief to industrial workers in case of injury resulting in the course of their employment. It is possible that some overlapping may take place, so far as the provisions of the present Bill and the Workmen's Compensation Act are concerned. It is necessary that all possibilities of such overlapping should be eliminated.

7. In conclusion, my Committee trust that their above views and suggestions will be given due consideration by Government.

APPENDIX 50

The Indian Trade Unions (Amendment) Bill.

Letter No. 511, dated 26th February 1947, from Chamber to the Commissioner of Labour, Bombay.

I am directed to acknowledge the receipt of your letter No. L.O.VI|12585, giving cover to a copy of the Indian Trade Unions (Amendment) Bill and inviting the views of the Committee of the Chamber on the same. My Committee regret the delay in replying your said communication, which was due to the supervening of some other urgent matters they had to dispose of. They, however, hope that Government

will take into consideration their views and suggestions expressed below.

2. It is the considered view of my Committee that under the conditions at present obtaining in the industrial and economic spheres, the need for an amendment in the Indian Trade Unions Act providing for obligation on the part of employers to recognize registered Trade Unions was urgent. While they agree to the provisions of the Bill in general, they would like to draw the attention of Government to certain clauses which, in their opinion, require modification or reconsideration.

3. *Clause* 3(f)—*Definition of Strikes and Illegal Strikes*: Having regard to the legislative enactments operating in certain provinces which also define illegal strikes and lockouts, it is quite imperative that a fair measure of uniformity should prevail in regard to such definitions provided in the Central and the Provincial Acts. It is, therefore, suggested that the definition in the present Bill should be suitably amended with a view to achieving the necessary uniformity as above.

4. *Clause 28*(d)—*Conditions of Recognition*: The section lays down the conditions for recognition of Trade Unions under the Act. One of the conditions is that a trade union will be recognized if the same was a representative union. Further, the section provides that a trade union shall be deemed to be a representative trade union if it satisfies such conditions as may be prescribed. My Committee are of the view that the conditions necessary for the recognition of representative union should be clearly specified in the Bill itself and should not be left over to the rule-making authority. It is further necessary that under the conditions to be laid down for recognition of such trade unions, it should be expressly provided that no outsiders shall represent such trade unions.

5. Under Chapter III(b)—Unfair Practices—it is provided that any employer who commits any of the unfair practices set out in the section 28(*k*) shall be punishable with fine which may extend to Rs. 1,000. While not objecting to the amount of fine leviable on the employers, my Committee would seriously suggest that for the first offence on the part of the employer, a warning should be given and penalty should be imposed for subsequent offences.

6. My Committee request that Government will be pleased to give due consideration to the above suggestions and observations.

Letter No. 3256, dated 28th November 1947, from Chamber to the Ministry of Labour, Government of India.

Recently the Constituent Assembly functioning in its Legislative capacity passed the Bill to amend the Indian Trade Unions Act, 1926 as reported by the Select Committee. The Amending Bill having become law, any suggestions for changes in the same could obviously be considered and taken up only at the time when fresh legislation to further amend the Act is undertaken. Having regard, however, to certain recent trends and developments in the sphere of industrial relations in the country, my Committee would like to place before Government for their earnest consideration the following suggestions :—

2. The Trade Unions should be made responsible for the good conduct and behaviour of the members of the respective Unions, and any unruly behaviour of members either inside or outside the relative industrial establishment towards officers, managers and co-workers should be treated as unfair practice, for which the Union should be responsible. Similarly, if any member of the Union takes any action resulting in corporal injuries to any official or worker of the industrial establishment concerned, the law should hold the Union responsible.

3. Further, any action direct or indirect of the workers retarding production should also be prohibited and penalised by law, as all such action will be against the vital interests of the general public and therefore, against public policy. As in the case of professional associations like the Bar Association, the Medical Council, etc. the Trade Unions should be required to evolve a code of conduct and any vocational misconduct should be taken cognizance of immediately by the Union.

4. It is requested that Government will be good enough to give the above suggestions due consideration.

APPENDIX 51

Working of the Indian Trade Marks Act, 1940 and Arrangements consequent on the Partition Plan.

Letter No. 2208, dated 14th August 1947, from Chamber to the Department of Commerce, Government of India.

The Millowners' Association, Bombay, have forwarded to my Committee a copy of their representation No. 214A, dated the 5th August drawing the attention of Government to the effect of the Partition Plan in the matter of the application of the provisions of the Trade Marks Act. Under the existing

arrangement, during the transition period the laws of British India as prevailing immediately before the date of the Partition will, with such adaptations as may be necessary, continue to operate in each of the two Dominions until such time as due and necessary provision is made by the respective Dominions for enacting fresh laws. Obviously, the Trade Marks Act of 1940 would continue to apply to both the Dominions. The Registrar of Trade Marks will, however, have his office in the Union of India. The point as to what procedure is proposed to be followed in the matter of registration of Trade Marks from the Pakistan area requires to be clarified.

While a decision as to whether the Dominion of Pakistan would like to maintain its own Registrar and appoint a separate Registrar is a matter primarily for the Government of that Dominion, the Millowners' Association, in their communication, have drawn the attention of Government to certain practical aspects requiring examination. According to the Association, by agreement between the two Governments, the Registrar of Trade Marks, Bombay, would function as the Registrar of Trade Marks for the Pakistan area also. In fact, such an arrangement is already in force and is understood to be working satisfactorily in so far as certain Indian States are concerned. Similarly, the problem of reciprocal arrangement between the two Governments in regard to the treatment of Trade Marks registered in one area in the other also requires to be examined. This is a sphere in which co-ordinated action between the authorities of the two Dominions will be necessary. My Committee request that Government will be pleased to give this matter their early attention.

Letter No. 401(13)-Tr.(T.M.)|47, dated 18th November 1947, from the Ministry of Commerce, Government of India, to Chamber.

With reference to your letter No. 2208, dated 14th August 1947, on the above subject, I am directed to say that under the existing arrangements Trade Marks Act will be administered by the Government of India on behalf of the Dominion of Pakistan upto 31st March 1948. The need for any reciprocity between the two Dominions in the matter of registration and protection of trade marks will not arise till then. The proposal put forward by you has, however, been noted for consideration by the Government of India in due time.

IV.—GENERAL TRADE AND INDUSTRY

APPENDIX 52

Interview with the Honourable the Commerce Member, Mr. I. I. Chundrigar.

Speech of Mr. Ratilal Mulji Gandhi, M.L.C., President, Indian Merchants' Chamber, at the interview with the Honourable Mr. I. I. Chundrigar, Member for Commerce, Government of India, on 16th April 1947 at 5-30 p.m. (S.T.).

Honourable Mr. Chundrigar,

I have great pleasure in extending to you, on behalf of the Committee of the Indian Merchants' chamber, a very cordial welcome. This is your first visit to this Chamber after you assumed office as a Member of the Interim Government. Such occasions for informal exchange of views, have in the past, been found to be of considerable assistance in securing a clearer elucidation of many questions and problems of topical importance. We, therefore, welcome this opportunity for exchanging notes.

At the outset, I would like to voice our sense of satisfaction that you, as the Commerce Member, have found it possible to spare the necessary time to proceed to Geneva to lead the Indian Delegation at the forthcoming session of the Preparatory Conference. Let me, on behalf of the Committee of this Chamber and on behalf of the Indian commercial community, wish you *bon voyage* and success in securing at the Conference due recognition of the claims of this country along with other industrially backward countries for special consideration.

Indian Delegation to International Conferences—Choice of Personnel

Incidentally, you will not mind my taking this opportunity to convey to you our feeling that Indian Delegations to all such important International gatherings should include a fuller complement of persons and leaders of thought drawn from the sphere of commerce and industry. We are aware, Sir, that the Delegation which you are taking to Geneva on this occasion, includes some men of eminence in that sphere. Having regard, however, to the importance of the subject matter to be dealt with, we feel that it would have been more advantageous if Government had found their way to invite a larger number of non-official men to join the Delegation so that their special and practical knowledge of the problems

to be dealt with could have been of assistance to Government in evaluating the implications of the various proposals and so that India could have made her full contribution to the deliberations of the Conference. In making this request for increased association of non-officials, we have not in mind only this forthcoming Conference. In the near future, many such conferences are likely to be held and we submit that Government should, as a matter of general policy, make the personnel of our future Delegations as broad-based as possible and endeavour to make full use of the specialised and practical knowledge of men drawn from commerce and industry. We would make a further suggestion that in inviting or selecting such non-official delegates, it would be desirable for Government to be guided by the advice and recommendation of representative commercial organizations in the choice of the personnel.

Personnel of Trade Missions and Delegations

Our above remarks apply equally in regard to the composition of Trade Missions and Delegations to various countries. It is understood that Government are proposing to send shortly Delegations or Missions to Japan and also to Germany sometime later. It would add considerably to the representative character of such delegations if the persons forming the delegations were chosen in consultation with recognized Chambers of Commerce and Trade Associations. Government must, no doubt, be anxious to enlist the services of the best men available for the work and the procedure we have suggested and which in the past, on occasions, had been followed by Government, will be found very helpful and will, if we may say so, assist in inspiring a greater degree of confidence among the interests sought to be represented.

International Conference on Trade and Employment—Our Needs and Requirements

Coming back to the work at the forthcoming session of the Preparatory Committee of the International Conference on Trade and Employment, our views and suggestions on the various aspects of the problems coming up for review have already been placed before Government. The lead which you, Sir, gave recently to the Trade Policy Committee and the Consultative Committee of Economists indicated that you were alive to the special needs of India *vis-a-vis* this effort for international collaboration. I will, therefore, be very brief in re-stating the special aspects which the Indian Delegation will have to emphasize at the Conference. India is quite willing and ready to co-operate on an international level in efforts for the restoration of international trade and for secur-

ing the free exchange of both raw materials and industrial equipment between the various nations of the world. At the same time, the fundamental right of a nation to develop her own economic resources in a manner best suited to her special requirements and in the interests of the sons of the soil must be conceded without any qualification. There is considerable disparity in the stages of development as between the various countries constituting the membership of the Conference. This practical aspect should not be ignored and the necessary adjustments, which would enable industrially backward countries like India to make up the leeway, should be authorised as coming within the scope and objectives of the Conference and the proposed Charter. We are aware, Sir, that the Indian Delegation which attended the First Preparatory Committee in October last endeavoured to place before the representatives of countries assembled at that Conference, the reasonableness of the main demands and of the stand taken by this country. As a result of their labours, the Preparatory Committee agreed to include a special chapter on Industrial Development in the draft of the proposed Charter. It must, however, be realized that unless these demands and rights are specially incorporated and set forth in the *objectives and purposes* of the proposed Charter and unless the industrially advanced countries are given the necessary assurance that they would be prepared to fulfil those conditions and encourage and assist the development of backward countries, it would be difficult for a country like India, placed as she is, to allow her future course of development to be conditioned by aims and objectives designed primarily with a view to safeguard the interests of industrially advanced countries. The right of under-developed countries, therefore, to resort fully to developmental tariff, quantitative trade restrictions, subsidies and other effective measures, including import restrictions for protecting their existing industries and assisting the promotion and development of new ones, should be fully recognized and safeguarded. The exercise of these rights and the implemention or variation of policies or measures resulting therefrom should not also in any way be subject to the prior sanction or approval of any machinery that the Conference might set up.

We must further stress our case for full and free development of services like shipping, insurance and banking essential to the maintenance and expansion of international trade. The recommendations of the Preparatory Committee dealing with problems relating to restrictive business practices, particularly by International Combines and Cartels, we understand, are sought to be confined to commodities. Unfair restrictive business practices, covering services of the

type referred to above, should also be included within the scope of these recommendations and the elimination of such practices, in so far as services are concerned, should be included within the purposes of the Organization.

Negotiations for reduction of tariffs and for the elmination of import tariff preferences are also understood to be in progress. The Government of India have formulated certain tentative proposals and demands for tariff reduction. It may not be out of place to point out that the general agreement on tariffs and trade arrived at at the Conference have a binding effect independent of the Charter and that the acceptance of any proposal for reduction of tariff would mean that the country accepting the obligation will not be able to get out of the same for a minimum period of three years. A country like India has strategically a very weak position so far as tariff negotiations are concerned. The present import duties in India, besides being moderate, are largely revenue duties and as such the scope for reduction is really small. It is reported that many countries like the U.K., U.S.A., Australia, New Zealand and Norway have already made specific requests to India for reduction in tariffs. It is hoped that no binding commitments will be made for effecting reductions in the Indian tariff and that proposals and suggestions regarding changes in tariff should, at all events, be implemented only after the Charter is finally framed and agreed to and the International Trade Organization begins to function. India has reason to feel very apprehensive about the procedure connected with the tariff negotiations, the more so because changes once agreed to cannot be subsequently modified except with the consent of the appropriate authority of the Conference. Moreover, the procedure for subsequent modification is very complicated and may present difficulties in actual working. We feel confident, Sir, that the above aspects are already before you and that you will be good enough to stress the same with vigour before the countries assembled at the Conference and secure such assurances and reservations as would safeguard our future position and interests in the scheme of things adumbrated at the Conference.

Our Future Tariff & Trade Policy

The pre-occupations of Government in other directions, perhaps, have delayed the progress of the formulation of the post-war tariff and trade policy of the country. To some extent, the tariff policy will have to be conditioned by the obligations and commitments undertaken by us as a result of the forthcoming International Conference on Trade and

Employment. All the same, we have to draw your attention to the growing feeling of uneasiness among the industrialists in the country caused by an element of doubt regarding the future trend of our tariff policy. During the war, a number of new industries came to be established in the country. The natural protection afforded by the cessation of imports and the increased internal demand assisted such industrialisation. The resurgence of imports after the war is giving some cause for concern and naturally the industrial interests are anxious for an early enunciation of Government's tariff policy. In April 1945, while outlining their Industrial Policy the Government of India promised that the Tariff Policy of the country appropriate to the post-war needs and requirements of our industries would also be announced. The delay possibly has been caused by the developments in the political sphere. We would like to know if any further progress has been made in regard to the formulation of this policy.

There has also been a consistent demand for a thorough reform in the machinery and procedure governing the grant of protection to industries in the country. We have no desire today to enter into an elaborate examination of the working of the present machinery and procedure or to point out its defects and drawbacks. The first step in the process of reformation will be the appointment of a permanent Tariff Board with adequate powers and initiative to continuously investigate and examine the conditions of the industries in the country, to undertake on their own investigations into specific grievances and to achieve a fair measure of continuity in regard to the creation of conditions favourable for the development and expansion of industries. By comparison with the tariff machinery functioning in other advanced countries like America, Australia and the U.K., the Indian Machinery and procedure suffer from the narrower scope of their application, want of continuity in personnel and the dependence on instructions from the Department of the Government of India for the scope and extent of their work and activities. The constitution of a permanent Tariff Board and the revision of the procedure with a view to vest in the Body greater freedom and initiative will be of considerable assistance at this stage in accelerating the progress of industrial development.

Similarly, our trade policy, with particular reference to overseas trade, has also to be defined. India has a large internal market and the progress of industrialisation will provide opportunities for the utilisation of our raw materials to an increasing extent in corresponding industries in the country. At the same time, the need for export markets for

some of our surplus production, both in respect of raw materials, the supplies of which will increase with the application of scientific methods of cultivation, and of manufactured goods, as and when our industries begin to develop, cannot be overlooked. The pattern and trend of our overseas trade will have to be adjusted to the changing circumstances. The existing concentration on countries in the Empire may have to give place to a system more diversified. Some of the important countries are understood to have adopted a policy of "export drive". The present position of comparative shortage should not make us oblivious of this long-term aspect. We must have a definite programme of stimulating exports and stabilising the scope for our products in some of the new markets secured during the period of the war.

Consular Services & Trade Commissioners

In this process, the strengthening of our agencies and organization in the shape of Consular and Trade services will be of considerable assistance. We should without further loss of time appoint Trade Commissioners in all the outposts. It would be an advantage if in the selection of persons for appointment as Trade Commissioners, due consideration is given to the factor of previous practical experience in the sphere of trade and commerce. Government should also sponsor and send Trade Missions to important countries which offer reasonable prospects for increased export trade.

State Trading

During the course of the debate in the Central Legislative Assembly on the Bill to empower Government to continue control on exports and imports, you referred to Government's intention to try a system of State Trading in regard to exports of oil and oilseeds; bone and bone-grist and soaps. It was mentioned that Government would invite tenders through advertisements in the press, specifying the quantity to be exported, from persons who wanted to have the right to export. The report added that if the experiment proved successful and if Government could secure substantial revenue out of the same, it was Government's intention to try the system in other fields as well. We see no justification, Sir, for this innovation. There is absolutely no need for the State entering the sphere of trade, either whole-hog, or in a limited form as referred to above. No occasion has arisen for Government devoting its resources or energies for engaging in business enterprise or for undertaking business operations. The resources of Government are but the resources of the citizens and those resources should not be

utilised in sponsoring activities which may inherently compete with activities of private citizens. The incentive to that initiative and efficiency upon which progress is built up in business undertakings will be completely lacking in any organisation for business set up by the State, as such an organisation cannot naturally be influenced by the profit or loss motive. The basis of private enterprise is the right of the citizen as an individual to set up in business for himself, and we feel very strongly that there is no justification whatsoever for Government embarking on any scheme in which they are themselves directly interested in trading activities. The normal channels of trade should be allowed to function in all the stages of the operations connected with the export trade of the country. We have on many occasions in the past conveyed our strong feeling that all officially sponsored arrangements of a temporary character made during the period of the war canalising trade in respect of certain articles through *ad hoc* agencies of an official character, should end.

Referring more particularly to the announcement made by you in respect of the specified commodities, the trade interests are still without any details of the procedure which Government propose to follow in implementing the system. It is not clear whether the right to tender for exports would be confined to established shippers who had been in the export trade of a particular commodity or whether it would be open to all, irrespective of past share or performance. If established shippers are to have preferential right, will Government's intention to reserve a prescribed proportion for new entrants apply in so far as this scheme is concerned? Does it also mean that the application of the tender system would imply that the right for permission to export would be given to the highest bidder irrespective of other considerations? Further, care should be taken to ensure that Indian exporting interests get a fuller share of this trade and the dominating position at present enjoyed by non-Indian interests should not be continued. We request that full information on the intentions and proposals of Government in so far as this scheme is concerned may be furnished.

Incidentally, we submit that before initiating far-reaching changes of the above character, Government should on all such occasions circulate their draft proposals in advance to the trade interests and give them an opportunity for placing before Government their well considered views on the same. We again emphasise that Government will be good enough to abandon the proposal for State Trading either whole-hog or qualified and adhere to the normal practice of allowing the trade to be carried on through the traditional and established private channels.

Prohibition of Forward Contracts in Oilseeds

In May 1943, Government as a war-time measure imposed a ban on Hedge trading in edible oilseeds. Oilseeds trade have, through the Seeds Traders Association in Bombay, placed before Government the case for the removal of this restriction, and we feel that in the altered circumstances now obtaining there is no justification for continuing this control. Hedge facilities ensure a proper and continuous market and particularly in the case of an agricultural product like Oilseeds they assist in stabilising prices. A well-organised Hedge market would, moreover, remove the temptation for unauthorised trading at upcountry centres, resulting sometimes in undue fluctuations and disparities in prices. The provision for Hedge markets is a recognised procedure in the marketing of important crops under the existing system of organisation of marketing and such hedge markets functioned even during the war for food crops in the U.S.A. In other countries where hedge markets were discoutinued during war, they have been since restored. The Government of India have withdrawn the control on prices and movement of edible oils and oilseeds within the country, and it is but logical to suggest that this should be followed by the restoration of facilities and freedom for Forward Trading in oilseeds. We request that Government will be pleased to give this matter their early attention.

Control on Raw Cotton

The control on raw cotton was concieved with a view to conserving adequate supplies for the use of Indian mills. From an examination of the figures of supply and offtake, it would appear that stocks at the end of the cotton year are likely to be nearly 40 lakhs of bales representing practically a year's requirements of Indian mills. The export demand has also abated and it is doubtful if quotas sanctioned for purposes of exports would be fully taken up on the basis of the existing arrangements. The situation calls for a complete review and there is a strong feeling that the control on raw cotton, under the present circumstances, can no longer be justified. Cotton is an important cash crop of the country and the prosperity of a large section of the cultivators is dependent on the maintenance of an adequate outlet and fair conditions of trade in this commodity. Moreover, cotton is now being offered to Government at the floor level. The export duty of Rs. 40 per candy was sought to be justified on the ground of the difference in parity between the world and internal prices. In the altered circumstances, this factor also ceases to have any significance and the burden of the export duty should be removed so as to stimulate and make

possible greater export demand. China is an important outlet for Indian raw cotton, but due to difficulties caused by the inadequacy of credit facilities, there has been a check on imports of Indian cotton into China. The Chettur Mission which reported on prospects and possibilities of expanding Indo-Chinese trade recommended the provision of credit facilities for China absorbing increased quantities of Indian raw cotton and by arrangements for inter-change of goods of a mutually complementary character between the two countries. Early steps may well be taken to give effect to these recommendations. We request that the entire policy governing the control on cotton be revised in consultation with the cotton trade.

We have not made any detailed reference today to the question of the abolition of the controls particularly the Export and Import Controls. This matter came in for review in the current session of the Legislature and the consensus of opinion expressed on the occasion was in favour of the abolition of all the war-time controls. We may be allowed to reiterate this view and to submit that Government should work speedily to the consummation of freeing trade and commerce from all these war-time fetters.

Exports of Jute and Jute Goods

Under the existing arrangement for the administration of the control on export of jute and jute goods, the Jute Co-ordinator is insisting that all shipments of such goods should take place from Calcutta. This limitation, however, is not justified so far as export of second-hand gunny bags is concerned. As you are aware, India used to export second-hand gunny bags in appreciable quantities, and although Calcutta may be the main source of supply for new bags, stocks of second-hand bags are available for disposal in all the important port centres. It is, therefore, suggested that export of such second-hand bags from any Indian port may be allowed subject, of course, to their conforming to the other provisions of the existing control scheme.

Insurance Legislation

The progress of the Bill to amend the Indian Insurance Act, 1938, has been slow. We appreciate that because of the pre-occupation of Government in other directions, it might not have been possible to go ahead with the further stages of this legislation in the current session. The Bill was circulated for opinion and it has been reported upon by a Select Committee. The provisions as they have emerged from the Select Committee are based, more or less, on the largest measure of common agreement and we are anxious

that Government should not lose any further time in putting it on the Statute Book. Among other things, the measure deals with the important problem of limitation of expenses of Insurance companies. Insurance business is passing through difficult times. The provisions in the Bill will go a long way to mitigate some of these difficulties and we seek a re-assurance that Government will proceed with this piece of legislation in the next session of the Central Legislature.

I have again to thank you, Sir, for having met us today. I hope that you will be good enough to give the suggestions and views which we have placed before you your earnest consideration. May I request you now to kindly let us have your observations on the main points that we have put forward ?

The reply of the Hon. Commerce Member, Mr. I. I. Chundrigar to the memorandum submitted to him by the President of the Chamber at the time of his interview on Wednesday, the 16th April 1947 at 5-30 P.M. (S.T.).

Mr. President and Members of the Indian Merchants' Chamber :

I thank you for the kind words of welcome and am glad to have this opportunity of meeting the members of the Indian Merchants' Chamber, Bombay. I welcome this opportunity for an exchange of views as much as you do and I hope it would be useful both to Government and the trade.

Indian Delegation to International Conferences—Choice of Personnel

I have carefully noted what you have stated on the choice of personnel of Indian Delegation to International Conferences and Trade Missions. You would, perhaps, agree that the choice to such Trade Missions and Delegations has to be made with particular reference to the objectives with which the Delegation has to be sent. No rigid rules can be laid down as to the personnel of such Delegations, as there may be occasions when the Delegations or Missions may have to be either wholly or mostly official. On the other hand, there may be occasions when the Delegations should be wholly or preponderately non-official. You will, perhaps, be interested to know that the composition of the Delegations of a number of countries to the forthcoming Session of the Preparatory Conference is almost wholly official. I have been at great pains to ensure that the constitution of our Delegation to the Preparatory Conference is as representative as possible,

considering the variety and the large number of interests who should be represented at a Conference of this nature. What is more important is that our Delegations should be fully briefed and should have at their disposal all relevant and material facts. This has been done in consultation with trade interests and the matter was fully discussed after that at the meeting of the Trade Policy Committee. With these remarks I shall now turn to the next paragraph.

International Conference on Trade and Employment—Our Needs and Requirements

Let me make it clear to you that it was due to the efforts of our Delegation at the Preliminary Conference, which was convened at the expert level, that the case of under-developed countries like India was emphatically put forward and certain aspects relating to the case of such countries were included in the Draft Charter. We are fully alive to the importance of the issues raised in your Memorandum under this head, and although it will not be possible for me to recapitulate here the brief which has been given to our Delegates, I may say in general terms that our Delegation will not agree to the grant of any concessions which will not bring in return concessions of at least equal value, nor will they agree to any financial or other arrangements which will prove to the detriment of interests of India. I can assure you that the needs of our industries for protection against serious competition from more organized units in either parts of the world will be kept in view by our Delegation and that every effort will be made not to make any commitments which may adversely affect our existing industries or industries in the course of establishment in standing competition with foreign industries, subject to normal standards or efficient management.

Our Future Tariff and Trade Policy

While it is true that immediately after the war import policy was considerably liberalised, this had to be done having regard to the fact that during the war the country was starved of many essential and even unessential consumer goods. The import policy has, however, been under review from time to time, and as I made clear recently in reply to a question in the Assembly, we propose to review it in the near future in order to safeguard our exchange position. You are, perhaps, aware of the fact that due to the industrialisation of the country and also our difficult supply position, it is not possible for us to export some of our raw materials to the extent that we did in the past. Important items of export like oilseeds have shrunk appreciably within the last few years.

Our general policy is to prefer the export of manufactured goods to those of raw materials. If our currency position is to be safeguarded, it is essential that what we have to spend in our imports comes out of the proceeds of our exports. This is the background against which we propose to review our import policy.

As regards the tariff machinery, I may inform you that the question of appointing a permanent statutory Tariff Board is under the active consideration of Government, and it is hoped that it will be possible to make an announcement in the near future. During the last Session of the Legislature, it has been possible to give effect to the decisions taken by Government on the recommendations made by the Tariff Board, and we propose to expedite Government orders on the future reports of the Tariff Board. I am sorry to remark that the Tariff Board has not received from some industries that amount of co-operation and assistance to which it was entitled. I hope Chambers of Commerce like that of yours will use their influence with the industries concerned to place their case fully before the Tariff Board without keeping back information essential for the purpose of arriving at a correct decision regarding the measure of protection to be given to each industry whose case is examined by the Tariff Board.

Consular Services and Trade Commissioners

I fully appreciate the importance of the appointment of Trade Commissioners in all the outposts and also of sponsoring and sending Trade Missions to important countries offering reasonable prospects for increased export trade. We have only recently sent a Trade Mission to the Middle East, and it is hoped that as a result of contracts made by them with the various countries in the Middle East, our export trade will be appreciably benefited. The question of appointing more Trade Commissioners in countries with which there are prospects of developing trade with India is under the consideration of Government and before long we hope to appoint Trade Commissioners in several more countries with a view to develop our trade.

State Trading

While the proposed tender system under which exports of oil and oilseeds, bone and bone-grist and soaps will be made will bring to Government some much-needed revenue, it can hardly be described as a Government to Government trading. The main reason why the tender system is being tried out as an experiment in regard to three or four items

on the export side is that by this means it is possible to intercept some of the profits which would have gone to the middleman and divert them to a Government treasury. Secondly, it gives an equal opportunity to all to participate in the trading according to the rules under which the system will be worked. Thirdly, this system is elastic and adjusts itself from time to time according to fluctuations in prices in the export markets. It would have been possible for Government to take some share of the profits arising from export markets by imposing an export duty, but I am of the view that this is a somewhat rigid method and it is neither possible to alter the export duties from time to time as necessity arises, nor is it possible to fix carrying export duties for different countries, though prices prevailing in different countries may be varying. Full publicity will be given to rules about the tender system so that those who intend to tender for exports in the trade selected for the application of tender system will know what exactly is to be done. You may be aware that the Government of India is spending nearly Rs. 20 crores for subsidising food imports, and this is done in order to make food available at reasonable prices to the people of this country, though the prices prevailing in some of the other parts of the world are higher. Similarly, if the prices prevailing for some commodities in India are higher than in other parts of the world, it is reasonable that Government of India should get some margin to make up a part of the subsidy given by them to subsidise food imports. As a matter of fact, suggestions were made in the Central Legislative Assembly by some members that Government should undertake to export some commodities to other countries on its own account. This would have been State trading pure and simple and would have eliminated the trade altogether. The tender system is a *via media* between private trading and State trading and has been introduced by Government with a view to give a chance to the trade to participate in the export trade and at the same time give some margin of the extra profit to Government. When the tender system is introduced, it would be unfair to debar any person from submitting a tender, and therefore it would be impossible to debar persons who are not established shippers from submitting their tenders. However, I have no doubt that people in the trade will be in a better position to judge as to what should be proper tender to submit and will be in a more advantageous position than people not in the trade.

Prohibition of Forward Contracts in Oilseeds

Your remarks under this head will be borne in mind. It is only recently that Government of India have withdrawn

the control on prices and internal movement of edible oils and oilseeds. It is somewhat premature to decide just now upon the question of removing the existing ban on hedge operations. The matter, however, will receive the attention of Government.

Control on Raw Cotton

As you will see from the orders passed by Government from time to time in regard to the export of raw cotton, you will appreciate that Government is fully alive to the importance of cotton exports without doing anything likely to interfere unduly with the requirements of the Indian mills themselves. These various orders governing the export of cotton were passed after consultation with the representatives of the cotton interests. For the present, all I need say is that I am watching the situation and any further alterations that may be necessary will be duly considered by me with reference to all the relevant factors. While it is true that in the current Session of the Legislature, opinion was expressed in favour of the abolition of all war-time internal controls, except in the case of articles of food, it has to be remembered that the Legislature passed the Import and Export Control Act which shows that there was agreement among the members of the Legislature regarding the continuance of export and import controls. If the control on export and import were abolished altogether, some commodities and articles in short supply in the country may be exported in such large quantities as to cause hardship to the people in the country. On the other hand, some commodities and articles may be imported in such large quantities that the local producers and manufacturers may find themselves unable to compete with imports. So long as there is cause for apprehension on either score, a measure of control on imports and exports is essential. All these controls are watched from time to time and periodical reviews are held. I can assure the members of this Chamber that no control will be kept any longer than the period for which it is absolutely necessary.

Export of Jute and Jute Goods

The position in regard to raw jute and jute goods is by no means easy, and control is greatly facilitated if shipments of both raw jute and jute manufactures proceed from one port alone. While it is true that stocks of second-hand bags may be available for disposal in all the important port centres, it does not follow from this that they should be disposed of in the export markets. We can do a good deal to counteract the scarcity by prolonging the life of the second-

hand bags and making use of them for internal use thus releasing a larger quantity for exports.

Insurance Legislation

I am sorry that the progress of the Bill to amend the Indian Insurance Act, 1938, has been slow, but this is due to circumstances beyond my control. The programme of legislation before the Assembly in the Budget Session was so heavy that certain Bills were crowded out and the two Indian Insurance Bills were on the list which had to be postponed to the August Session. As the August Session is being held to consider the Bills which could not find their way to the Statute Book in the last Session, it is hoped that their passage in the next Session of the Legislature will be both rapid and smooth.

I thank you once again for your kind words of welcome and for giving me a patient hearing in replying to the various points put forward in your Memorandum.

APPENDIX 53

Interview with the Hon'ble Mr. N. V. Gadgil, Minister for Works, Mines and Power, Government of India.

Speech of Mr. Ratilal M. Gandhi, President, Indian Merchants' Chamber, at the meeting with the Hon'ble Mr. N. V. Gadgil, Minister for Works, Mines and Power, Government of India, on Tuesday, 23rd September 1947.

Honourable Mr. Gadgil,

I have great pleasure in extending to you a cordial welcome. This is your first visit to the Chamber after assuming office and we are very glad to have this opportunity for an informal exchange of views on matters relating to the development of the mineral and power resources of the country. A planned programme of industrialisation naturally presupposes the formulation of a policy in the sphere of our power resources adequate to the requirements of that programme. You have already a record of service as a public worker of which anybody could feel proud and we are confident that, with your usual energy and enthusiasm, you will apply yourself to the new tasks ahead in a manner which would assist the country in its onward march of progress.

Mineral Resources and Policy

It is a matter of common knowledge that the subject of mineral development and its exploitation on a national basis

received little attention till recently. The Second Report on Reconstruction Planning emphasized the need for central regulation of mines, oilfields and mineral development. Minerals are a wasting asset and there is somehow a general impression in the country that our resources in this field are ample. As a matter of fact, when considered in the light of the country's size and population, they are not in as enormous a proportion as assumed, but in respect of certain minerals, we are, on the other hand, decidedly short of our requirements which indicates the need for a policy of strict conservation and planning in the utilisation of the available resources. It will be true to say that more than 50 per cent of the goods we import and manufacture in the country are made out of mineral raw materials. Particularly our key industries and strategic materials require the products of the mines.

The industrial and strategic mineral resources of India can be broadly divided into four groups: (i) minerals of which India's exportable surplus can dominate world market, (ii) minerals of which the exportable surplus forms an important factor, (iii) minerals in which the country at present appears to be self-sustaining, and (iv) minerals for which India has to depend largely on external sources. The first category consists of iron ore, titanium ore, and mica, while the exportable surplus under the second head includes manganese ore, bauxite, magnesite, refractory minerals, natural abrasives, steatite, silica, gypsium, monazite, corandum and cement materials. The third category in respect of which India may be deemed self-sufficient for the present requirements consist of coal, aluminium ore, mineral pigments, sodium salts and alkalis, rare earths, beryllium, glass sand, nitrates, phosphates, etc. In respect of the following minerals, India is dependent on imports: copper ore, silver, nickel, petroleum, sulphur, lead, zinc, tin, mercury, tungsten, molybdenum, platignum, graphite, asphalt and potash.

It is well known that hitherto we had neither any long-range policy nor any integrated and uniform plan for mines and minerals. The Geological Survey of India till the year 1942 and subsequently the Utilisation Branch of the Survey established in that year, had very limited scope and functions. The National Government, we are sure, will attach the greatest importance to mining and metallurgical development, by an economic investigation of the mineral resources of the country on the most scientific lines and thereby safeguard the conservation of the national resources by preventing uneconomic and wasteful mining. Further, by the application of the new geo-physical methods, investigations will

offer greater possibilities of exploring hitherto undiscovered deposits of important minerals. An important bottleneck in this direction is presented by the paucity of technical manpower which is essential for any large-scale development of our mineral resources.

We would, at this stage, like to refer to some vital aspects which have an important bearing on the formulation of our future policy. In the past there has been indiscriminate export of some of our valuable minerals in a raw state, such as manganese, ilmenite and mica, chromite and a number of minor minerals without any regard to the conservation of the nation's mineral assets. It is unfortunate that instead of exporting these resources in a processed or manufactured form, they have been allowed to be sent out at a ridiculously low price. It has been officially reported that ilmenite which costs only about 10 to 15 sh. per ton in the ore condition, when converted into titanium oxide, costs about £100 per ton and it is relevant to note that nearly 200,000 tons of ilmenite in the raw state is being annually shipped to foreign countries. Similarly, in respect of mica almost the entire output is being exported without being processed or manufactured in the country. We are mentioning this just to emphasize that our policy in the future should ensure the maximum utilisation of all these resources in manufacturing processes within the country and except in cases where we have an acknowledged surplus, exports in any form should not be encouraged. We realize that this policy can be enforced only after the country has developed the necessary capacity in the corresponding lines.

This raises another important question, viz: the need for central directive so as to ensure a co-ordinated and uniform policy for the whole country. Since 1936 the regulation of mines and oilfields and mineral development became a provincial subject and consequently each province framed its own rules regarding the grant of concessions, prospecting licences, mining leases, schedules of royalties and rents. This has resulted in several cases in the perpetuation of unscientific and wasteful mining. As pointed out by Sir Cyril Fox, the former Director, Geological Survey of India, 9 million tons of India's limited reserves of good coking coal, are used for non-metallurgical purposes and besides another 12 million tons remain in such unworked conditions as to be rendered unrecoverable in future. It is relevant, in this connection, to mention that these aspects were referred to in the Report of the Advisory Planning Board and the Board recommended that the following principles should be prominently borne in mind in formulating the future mining policy of the country:

1. Minerals should be owned and exploited by the nationals of the country and not by foreigners,
2. All mineral development should be regulated by Government, whether Central, Provincial or State, and
3. In respect of certain minerals, there should be central co-ordination and regulation in order to ensure their wise utilisation in the general national interests.

The recent Mineral Policy Conference generally endorsed the above views and we trust that the Government of India will take the necessary steps to put the above principles and policy into action.

Irrigation and Power Projects

It is hardly necessary to emphasise that irrigation development and the generation and supply of cheap electric power must form an integral part of any plan of the mobilisation of our mineral resources and the planned development of the country. In this connection, reference may be made to the recommendations of the Advisory Planning Board emphasizing the necessity of vastly greater effort for surveying and planning more projects as soon as possible. They have further approved of the proposals to establish organizations on the lines of the Damodar Valley Authority, which will provide perennial irrigation to three-quarters of a million acres and generate 300,000 kilowatts of power. We understand that there are also other projects in view of the Government, such as the Tista Project in Bengal, which comprises a dam 700 feet high with the capacity for impounding 35 million acres feet of water and an installation capacity of over half a million kilowatts, the Kosi Valley Project in Bihar, the Mahi and Tapti Canal Projects, etc. in Bombay and the Mahanadi Valley Project in Orissa, etc. We would welcome information regarding the progress made in respect of these schemes.

Electricity Supply Bill

The success of our plans and proposals for the industrialisation of the country is, to a large measure, dependent on increasing the power resources of the land and for arranging for the generation and supply of power on an efficient and economic basis. We are, therefore, alive to the need for rationalisation of production and supply of electricity thereby facilitating the speedy electrification of the country as a whole, and would welcome all efforts in that direction. The controversy aroused in the country on the provisions of the Electricity Supply Bill, however, raises doubts whether the above

objective can be attained by the policy and procedure proposed to be followed by Government as outlined in the Bill. The central feature of the legislation is the proposal to set up semi-autonomous Electricity Boards to secure co-ordinated development of electricity and to administer the scheme of development as outlined in the Bill. The proposed Board will have extensive powers including powers to generate and supply electricity as also undertake or promote the manufacture of electrical equipments and materials in the country. All these activities have so far been undertaken and carried out by private enterprise. In fact, private enterprise had in the past, in the face of odds and handicaps, contributed materially in establishing and developing the electric generating industry in the country and in maintaining the necessary channels and services for distribution. Under the new measure, it is obviously intended that generation and distribution of electricity and all ancillary activities should gradually be deemed to be the sphere of operation of agencies controlled or sponsored by the State. There seems to be no valid reason for displacing the existing system and order of things to which the new proposals would inevitably lead. The Hon'ble Mr. Bhabha, your predecessor in office, was frank enough to acknowledge that this question should be examined from the practical aspect and that the main test should be whether the recommendations contained in the Bill would subserve the ultimate objective of ensuring the production and distribution of power at a reasonably economical rate. The most controversial part of the proposed new legislation is the provisions therein governing the principles of electricity supply finance. The electricity generating interests have already placed before Government their considered views regarding the fundamental principles which should be taken into account in forming any basis for the regulation of the finances of electric supply undertakings. These issues and the recommendations of the Advisory Board of electricity supply finances were discussed in a Conference convened by Government in June last. There has not been any further announcement regarding the policy or revised proposals of Government in regard to this vital matter. In the meanwhile, there has been a growing sense of uncertainty in the industry. This has naturally had its repercussions on the investment market and shares of electrical undertakings have gone down substantially. If the present state of affairs continues the industry would experience difficulties in raising its requirements of development capital. The investors in electric supply undertakings are entitled to receive a fair and reasonable rate of return and the future development and expansion of the industry should not be jeopardised by the

application of financial principles which would make investment in electrical undertakings unattractive. We request that Government should, without further loss of time, formulate their general policy in the matter of electric supply industry and development as also in regard to the provisions relating to electric supply finance embodied in the Bill.

We would like to reiterate that matters of policy concerning development and regulation of electricity should be settled on an all-India basis. There was recently a report to the effect that even if the Government of India do not consider it advisable to go ahead with the Electricity Supply Bill, as framed, on an all-India basis, Provincial Governments may, on their own, proceed further in the matter and enact provincial legislation based on the Bill. Any such development would be extremely undesirable and the main lines of policy in regard to this all-India matter should be settled by the Central Government in consultation with all the provinces.

While on this, we may bring to your notice certain practical difficulties experienced by the industry. They are not getting assistance for moving the necessary electrical machinery by rail. As development of electrical power projects is of prime importance, materials required by undertakings for such a purpose should be given a high rating of priority. Similarly, under the new import trade control regulations, armoured cables and hard drawn copper wire are included among the list of prohibited items. This will cause hardship as without the supply of transmission material the power generated cannot be delivered. This point also requires to be looked into. We are aware that these are matters not directly under the control of your Department, but as matters concerning the electrical industry are under your care, you will be good enough to place the difficulties prominently before the Railway and the Commerce Ministries with a view to the necessary facilities being made available.

Conservation and Rationalisation of our Coal Resources

According to the estimates of the Indian Coalfields Committee the reserves of good coking coal in the country may not exceed 700 to 750 million tons and at the present rate of output they will be exhausted in about 65 years. The present gap between the annual supply of and demand for coal is in the neighbourhood of 4 million tons. The success of our efforts in increasing production will naturally be conditioned by our ability to overcome fuel shortage. The Indian Coalfields Committee, after a searching enquiry into the entire problem have made many recommendations of a far-reaching character in the sphere of policy making. We realize that

decisions of Government in regard to long-range policy in this sphere can be laid down only as part of the ultimate industrial policy of the State as a whole which is still in the process of making. But in the meanwhile, the suggestions and recommendations contained in the Report for securing an immediate improvement in the overall supply position need to be separately examined and implemented without any loss of time. These suggestions mainly are facilities for opening of new coalfields, arrangements for fuel research, assistance to mining interests for the importation of machinery, provision of technical advice, increased supply of electricity in the coalfields, electrification of railways, etc. with a view to the reduction of coal consumption, restriction on exports of coal and financial assistance to smaller mines. The Committee have also made important recommendations on the organizational side and have suggested the creation of a portfolio of Fuel and Power in the Central Government. We realize that the National Government under the new set-up have not had sufficient time and opportunity for examining these recommendations and formulating their proposals on the same. We are also aware that this is a matter in which the initiative must come from the Ministers-in-Charge of Industries and Supplies. We have, however, thought it fit to make a passing reference to the same as the formulation of a long-range policy in this sphere has a direct bearing on the mineral and power policy of the Government of India.

Summary of the Replies of the Hon'ble Mr. N. V. Gadgil, Minister for Works, Mines and Power, Government of India, at the meeting with the Committee of the Chamber on Tuesday, the 23rd September 1947.

The Hon'ble Mr. Gadgil referred to the unfortunate developments after the 15th of August and stated how the Ministers and the Governmental machinery had naturally to concentrate their energies and attention to the solution of the problem presented by those developments, with the result that there was for the time being a check on all efforts in the constructive spheres. As soon as Government were free from the immediate pre-occupations he expected to be able to expedite decisions on all matters involving policy so far as the Department of Works, Mines and Power was concerned.

Problem of Housing

Mr. Gadgil referred to the difficulties that were being experienced in the matter of taking in hand schemes for increasing housing accommodation in the country and providing necessary facilities to the Provincial authorities in that

direction. Subject to the above limitation, the work was being expedited and he expected to be able to provide 3,500 new tenements in Delhi within the next 6 months. The Provincial schemes for housing would also receive the maximum possible priority under the existing conditions and Government were alive to the need for ending the present unsatisfactory position of shortage of accommodation with the least possible delay. He also outlined the steps he had taken for ending administrative dilatoriness and for facilitating quick despatch of official business and the formalities connected with Bureaucratic administrative procedure had also been put an end to and the public would have easy access both to the Ministers and to the senior officials.

Referring to the problem of de-requisitioning of private buildings and premises, he mentioned that while every effort was being made to expedite the process, he was confronted with certain limitations inherent in the existing situation. Public and official needs necessarily merited certain amount of priority consideration and a programme of completing the release of all the buildings requisitioned would be possible only after Government had completed arrrangements for providing alternative accommodation.

In the matter of utilisation of the mineral resources and the policy governing the same, he was in general agreement with the views expressed by the Chamber in its memorandum. He agreed that the mineral resources which were capable of being utilised in the country should all be conserved for internal use. He was also in agreement with the suggestions for setting up a Bureau of Mines. Government ere long would lay down and formulate their mineral policy for the future and take all the steps necessary to ensure that the mineral resources were used in a manner which yielded the maximum results possible to the country as a whole.

Irrigation and Power Projects

The Hon'ble Member then briefly referred to the irrigation and power projects under contemplation. The necessary preliminary survey had been undertaken and completed in many respects and the schemes of priority had also been fixed. Incidentally he mentioned that the precarious dependence of the country on imported cereals during the last 3 years had emphasised the extreme importance of giving immediate attention to improving irrigation facilities, so that as a result the country might be in a position to expedite the programme of self-sufficiency in regard to food needs.

Government intended to go ahead with 3 schemes, viz: the Bakara Dam in the Punjab, the Damodar Valley Scheme and the Mahanadhi Scheme. All the preliminary steps had been settled. It was true that the schemes would involve a financial outlay of considerable magnitude—according to the present estimates over Rs. 104 crores spread over a period of 7 years, but in a matter of this character concerning the welfare and prosperity of the country as a whole, Government could not afford to be frightened by the financial aspect. The projects would yield a fair measure of invisible dividend by making the country more prosperous and insure it against risks of shortage of food supplies in the future.

During the course of the supplementary discussions, the Hon'ble Member further explained that a multi-purpose authority would be set up for purposes of developing and working the Damodar Valley Scheme. Full details might be expected to be published in the form of a Bill. Government in the meanwhile were collecting information about similar schemes in force in America, and Sweden, and it was his intention, if possible, to arrange a personal visit to those countries to gather information and knowledge regarding all aspects of the schemes.

Electricity Bill

Referring to the Electricity Bill, the Hon'ble Minister pointed out that having regard to the technical and complicated nature of the legislation it had not been possible for him to take final decisions in the matter. Government had recently arranged a Conference of the interests concerned to determine the financial principles involved in the implementation of the scheme of legislation. The recommendations of the Conference were under consideration and Government would no doubt make such modifications in the original proposals as they deemed necessary in the light of the consultation.

Incidentally, the Hon'ble Minister explained that while he had no desire to anticipate what the future policy of Government was going to be in regard to the ownership and control of industries in the country, there should not be any misgivings in the public mind in regard to the chances of any injustice being done to them and Government had no desire to expropriate any industry or undertaking belonging to private interest without giving adequate compensation.

During the course of the supplementary discussion, points such as saving of coal by increased use of electricity by mills in Ahmedabad, advantages resulting from the electrification of the railway system between Bulsar and Ahmeda-

bad, the defects and drawbacks of the Grid system, were all placed before the Hon'ble Minister.

The President in his concluding remarks thanked the Hon'ble Mr. Gadgil for the frank and informal nature of his replies and observations.

The meeting then terminated.

APPENDIX 54

Interview with Mr. G. R. Kamat, I.C.S., Chief Controller of Imports, Government of India

Memorandum on the Points for discussion with Mr. G. R. Kamat, I.C.S., Chief Controller of Imports, at the meeting with the Committee of the Indian Merchants' Chamber on Monday, the 28th July 1947 at 4 p.m.

I have great pleasure in extending to you a cordial welcome. The Committee of the Chamber are glad to have this opportunity for an informal exchange of views on matters concerning the recent changes in the Import Trade Control policy and procedure. In fact, there is a good deal of uncertainty and suspense in trade circles as a result of the recent developments. We hope that today's discussions will, to some extent, assist in clarifying many points of doubt.

We appreciate the circumstances which necessitated the tightening of the control on imports. Our balance of trade position and the uncertainty over the extent to which the accumulated sterling credit may be available for current use, justified a more restrictive policy. At the same time, the administration of the policy necessarily must be so adapted as to take into account the practical requirements of the situation. We would welcome an explanation of the general background which necessitated these changes. We would also like to know if Government have in view any overall limit of the value of the goods to be allowed to be imported in the immediate future and, if so, whether similar separate specific limits are contemplated for different countries, particularly countries in the hard currency area. Information on that aspect will give a clearer idea of the objectives and targets of the revised import trade control policy.

Administrative Arrangements

The change naturally has introduced fresh formalities and there is a feeling that the administrative procedure connected with them is likely to involve considerable delay;

We would like to have an assurance that necessary departmental arrangements have been made to deal with all administrative matters expeditiously and that there will be no avoidable delay in dealing with applications for either revalidation of licences or for the issue of fresh licences in terms of the new policy.

Duration of the Present Arrangement

We would also like to know if the arrangements outlined in the recent notifications are meant only for the next shipping period ending December 1947 and whether, before the end of that period, it is intended to review the whole position.

Prohibited List

Government have issued a list of over 200 items, the imports of which are entirely prohibited. Essential articles have been lumped together with things which may not be required immediately. Even items which are not manufactured in the country are included in the list. Some explanation of the criteria on the basis of which the prohibited list was framed is called for. Food items like sugar, confectionery, biscuits and cakes, grain and flour, fodder, bran and pollards, tinned provisions, vegetable oils, items of *kariana*, vegetables, etc. have all been banned. In the light of the existing shortage in the country, it is difficult to justify complete stoppage of these imports particularly, as in many cases, currency considerations do not play a vital part as the imports generally are from soft currency areas. Imports of sago and sago flour, very essential for the textile industry and supplies of which are reported to be short in the country, is also stopped. When there is shortage of building materials, the prohibition of imports of items like cement, stones, tiles and glass cannot be normally justified. We have mentioned a few items to indicate that the list does not seem to have been framed on the basis of any defined policy. We suggest that the list may be reviewed with the help of an Advisory Body so as to avoid practical hardships by the total stoppage of imports.

Quota Items

Government have announced that licences for imports of certain items which are in the nature of essential raw materials for industry or items of machinery will be granted freely. In respect of all other imports, licences are to be granted either on quota basis or on merits. For purposes of calculating quotas, generally the year 1945-46 has been

taken as the basic year except in regard to certain specific items. We have received many complaints against the selection of the basic year. It appears that in respect of a number of items the imports in the basic year were comparatively small or nominal. For instance, Government have fixed 1945-46 as the basic year for licensing imports of artificial silk yarn and thread as also for cinematographic films, and 1941-42 for imports of dried fruits, other than dates. The imports in the said years, we understand were very lean. There should therefore be no rigidity in the choice of the basic years and the trade interests concerned should be allowed the facility of some alternative basis.

Proof of Imports in Basic Years

Where records of the importers have been lost due to circumstances beyond control, an affidavit or declaration by the importer, with some evidence of a secondary character may be accepted.

New Entrants and Direct Consumers

The procedure of linking licences to imports in basic years, perhaps, implies that new entrants will be completely prohibited. The position may be clarified.

Limitation in Value

Licences will be limited in all such cases to the extent of the c.i.f. value. This does not take into account the factor of subsequent demand for increased prices by foreign suppliers. Particularly, in the case of revalidated licences, if such licences are limited to the amount mentioned as c.i.f. value, practical difficulties will arise by subsequent increase in prices.

Re-validation of Licences

The 16th May announcement laid down that re-validation will be allowed where irrevocable letters of credit had been opened valid beyond 30th June, upto the date of the validity of the letters of credit and, in cases where business was done on other than letters of credit basis, upto 30th September on production of documentary evidence of the completion of business on a firm basis before 16th May. We have received complaints that this policy is not being strictly adhered to and that even where firm orders have been placed before 16th May, revalidation is being refused on the ground that the goods to be imported are not of an essential character. The prohibition contemplated for future imports should not in any case apply to previous commitments

conforming to the above requirements. Re-validation in the case of licences satisfying the above test should be more or less automatic and should not be subject to a further scrutiny regarding the nature of the goods to be imported.

Date of Shipment for Importation without Licences

In order to avoid dislocation of trade and to permit past commitments being discharged, Government had agreed that goods previously covered by Open General Licences and now requiring specific licences, shall be allowed to be imported free of licence if shipped on or before 30th of June 1947. Owing to absence of sailings and developments like strike, labour unrest, transport shortage, etc. in the exporting country, in certain cases it would appear it was not possible to effect shipment before the 30th of June. Government should consider the desirability of extending the date of shipment where definite proofs that goods were ready for shipment before that date are furnished. Perhaps, on the basis of certificates from the warehousing authorities in the port, Government could extend the date of shipment and allow those goods, which were ready for shipment on 30th June 1947, to be shipped within a reasonable time.

Proof of Firm Orders

It is provided that in respect of past commitments for goods covered by the Open General Licences, proofs of such commitments entered into before the 14th of March or 16th of May, as the case may be, should be furnished for the necessary licences being issued. Some indication of the nature of the proofs that will be generally accepted is necessary. For instance, representatives of Indian importing houses in foreign countries may have placed orders locally and a statement from such representatives should be acceptable.

Goods ordered before the coming into force of the Control

There may be cases in which definite orders may have been placed for goods either before 14th of March or 16th of May, as the case may be, which could not be shipped before 30th June. What would be the position of the importers in case their applications for new licences are rejected? The foreign exporters may insist on the performance of the obligations. Instances of this kind should on merits be separately and sympathetically considered.

Similar consideration will have to be shown in respect of orders for which part shipments have been effected before 30th of June.

Machinery for considering difficulties of a practical nature

We also recommend the institution of some machinery for examining difficulties of a practical nature that may arise in the administration of the new Control scheme. An Advisory Committee may well be constituted at the Port centres to advise the Import Trade Controllers in regard to specific cases of hardship and Government should deal with such cases on the basis of the recommendations of the Committee.

Summary of the Replies of Mr. G. R. Kamat, I.C.S.

After thanking the Committee for the opportunity given to him to meet them and to discuss the recent changes in the Import Trade Control Policy, Mr. G. R. Kamat, I.C.S., Chief Controller of Imports, Government of India, briefly explained the circumstances which had necessitated the tightening of the control on imports. During the preceding 8 months Government had followed more or less, a liberal policy in respect of imports. Many things were allowed to be imported under Open General Licence, and for articles which required to be specially permitted, licences were issued liberally. Consequently, there were large imports affecting adversely the balance of payment position of the country. This was further complicated by the uncertainty regarding the extent of the sterling credits which would be made available for current payments. In order to meet the situation presented by the above developments, Government had perforce to restrict imports, at any rate, for the immediate future on a strict basis. Government had set before themselves a monetary target for the imports to be allowed during the next shipping period and it was their intention to ensure that, as far as possible, the value of the import licences did not exceed that limit. The ceiling was based on the estimate of the foreign exchange resources available to the country in the immediate future and allowed for an assumed figure as a probable release from the sterling balances for current payment. From these resources, however, Government had first to provide for payment for imports of foodstuffs very essential at this juncture, and the requirements of Government Departments such as Railways, and naturally the amount available for private imports would be only the balance, after making due provision for imports on Government account. Incidentally, he explained that the past distinction as between imports from hard currency areas and soft currency areas no longer operated as, with the altered position, securing free convertibility for sterling, all foreign currencies, for balance of payment purposes, were more or less placed on the same footing.

The total imports to be allowed again had been classified into groups. Machinery and industrial equipment necessarily claimed higher priority and it was the intention of Government, as far as possible, not to restrict imports for these articles. Next in order for consideration were licences for imports which had expired and which, under the terms of the new regulations, were required to be revalidated. After providing for imports of these categories, the balance available from the total monetary ceiling would be used for licensing new imports. In the matter of licensing new imports, Government would be mainly guided by the relative essentiality of the goods for the maintenance of the Industrial production in the country and the supply position of the articles or groups of articles in the country, as disclosed by past imports in the recent periods. The position, would however, be reviewed from time to time and in any case, it was intended that the results obtained by the recent arrangements should be reviewed before the next shipping period.

Administrative Arrangements

Upto 30th June 1947 about 1,30,000 applications had been received by the Department for revalidation of licences and for licences in respect of orders already placed before the coming into force of the control in its present form. The work of examining the applications and passing the necessary orders involved some delay. The position was complicated by the pre-occupation of some of the officers with work connected with the partition problems. However, by placing more staff on special duty for this work, the administrative formalities were expedited. Before 12th July, half the number of applications had already been disposed of and he expected that within the next ten days, the remaining applications would also be dealt with. It was possible that certain special cases in which further information had to be called for from the applicants might require longer time. After applications for revalidation and for licences in respect of orders previously placed had been disposed of, applications for new licences would be taken in hand. He was hopeful that a good part of the work would be over before the 15th September. Incidentally he mentioned that the value of the licences already revalidated had exceeded the amount set apart for purposes of revalidation.

Duration of the Present Arrangements

The issue as to how long the control in its present form would continue depended on developments in all connected spheres in the coming months. So long as the exchange position continues to be difficult, the main features of the present

policy have to remain. However, Government proposed to review the entire position in October and November and thereafter the detailed decision for the next shipping period would be made and announced.

Prohibited List

The list of articles banned for import would certainly be reviewed before the next shipping period. He was not in a position to hold out any hope regarding any substantial allocations in items included in this list for the current shipping period. The question of relaxing the ban on imports of Sago seed and flour would be considered. Similarly, if the total prohibition in respect of any specified articles was found to result in hardship, individual items would be examined on the merits of the case in so far as the monetary consideration permitted such alterations.

Quota Items

The year 1945-46 was selected as the base as that was the year for which complete figures of imports were available. Moreover, in 1946-47 imports were allowed on a generous basis and as such licensing on the basis of figures for that year would not fit in with the monetary ceiling applied by Government. In the case of importers who had no adequate imports during 1945-46 or whose imports in previous years were more favourable, they could apply for licences on the basis of imports in such earlier years. For years other than 1945-46 licences would be granted in the proportion of half of that for 1945-46. In the case of imports from liberated countries for which there was no share in the basic period, applications would be considered on the basis of the pre-war period. During the course of the supplementary discussion, it was specifically pointed out to Mr. Kamat that linking the value of licences to value of imports in basic or past years, would result in considerably reducing the quantity licenced in view of the subsequent rise in prices. It was, therefore, suggested that Government should consider linking fresh licences to past imports on a quantitative basis. He, however, explained that Government had to work within the monetary ceiling in regard to total imports to be allowed and as such, it would not be possible for them, for the current half year, at any rate, to link the quotas on the quantitative basis.

Proof of Imports in Basic Years—New Entrants

In regard to individual cases where difficulties were experienced in submitting proof of past imports in the basic periods, special consideration would be shown on the merits

of each such case. Small amounts had been set apart for granting licences for new entrants and for direct consumers. Opportunities would be given to direct consumers who have no established quotas, to those who had imported for the first time in 1946-47 and to new importers from this allotment. The case of new entrants would be more fully considered for the next half year.

Limitation in Value

Mr. Kamat realised that limiting the c.i.f. value of the imports to the amount licensed might in some cases, lead to practical difficulties. This aspect was being examined. He, however felt that only in a few cases there would be difficulties in keeping to the value as the volume of goods to be imported might be cut down to be within the total amount licensed. In the case of items like plant and machinery, or types of goods from which a part could not be reduced or eliminated, some relaxation on the value limit would have to be allowed.

Goods ordered before the coming into force of the Control

Goods in respect of which letters of credit had been opened valid beyond 30th June 1947, would as a matter of course, be allowed to be imported upto the date of the validity of the credit. Similarly, firm orders placed before the coming into force of the control would also be allowed as a matter of course, provided the evidence furnished by the applicant showed that the prescribed conditions were satisfied. It was not intended that there should be any further check in respect of imports falling under the above groups. However, if any individual cases of complaint in which the above policy was not being strictly adhered to, were brought to his notice, he would be prepared to examine the same.

In respect of goods lost in transit, application for licences for replacement would be considered if payment had already been made for the original supply before the coming into force of the control and no further payment involved.

Machinery for considering difficulties of a practical nature

The suggestion for the appointment of an Advisory Committee to advise the Government on matters relating to Import Trade Control appealed to him and Mr. Kamat promised to go into the matter fully and place the same before the Government. At the same time, he suggested that the Chamber might make their suggestion in greater detail so as to enable him to examine it fully.

During the course of the supplementary discussion, several members complained about the unsatisfactory nature of the replies received by them in individual applications for revalidation or for licences. It appeared that the replies were of a stereotyped character, and there was a general feeling that the applications were not being considered on merits. Mr. Kamat promised to go into all such complaints if they were sent to him.

Many members pointed out that Government had in their arrangements regulating imports laid undue emphasis on business based on letters of credit. There were other traditional methods of business where the opening of a formal letter of credit as a condition precedent to the supply of goods was not an essential feature. In the case of importers with long-standing business connections, goods were sent out on personal credit and payment followed as a matter of course. There were also cases in which there were standing arrangements for the supply of goods at regular intervals. In such cases, firm orders before a specified date had no special significance. Government had obviously overlooked cases of the above type and had not provided for them in their control arrangements. It was strongly stressed that such cases should be considered on merits and individual complaints should not be summarily rejected because they did not conform to the existing conditions prescribed in the control orders.

The attention of the Chief Controller of Imports was also drawn to the element of discrimination incidental to the existing arrangements. Foreign agents or branches in this country of manufacturing or exporting houses, whose transactions with their principals were adjusted on the basis of book entries and who had no need to open credits, found themselves in a position of advantage over Indian importers, as the imports on account of the former would continue to be allowed till 30th September. The Chamber had already drawn the attention of Government to this aspect by a separate communication.

The question of new licences for imports of raw materials or essential items by industrial consumers was also specifically raised. If industrial consumers were not allowed to import directly goods required by them for their industries, there were possibilities of their not being offered supplies at fair prices by those who imported, particularly where those imports were confined to one or two such importing houses who were more or less branch agencies of manufacturing interests.

The President, in winding up the discussion suggested that those who had specific complaints might send the details of such complaints to the office of the Chamber and that the same would be forwarded to the Chief Controller. He also requested Mr. Kamat that all such complaints should be considered on merits and that in all cases where the change in policy had resulted in hardship necessary relief should be given.

Memorandum on the Points for discussion with Mr. G. R. Kamat, I.C.S., Chief Controller of Imports, at the meeting with the Import-Export sub-Committee of the Chamber on Friday, the 19th December 1947 at 5 p.m.

By a communique issued on 12th December 1947, Government have announced their intention to continue the Import Trade Control for the next shipping period also. We would, in this connection, like to point out that although the announcement was made on the 12th December, information regarding the details, the changes and the modifications were not available in Bombay till the 18th evening. Consequently, there has been a good deal of uncertainty and suspense. With a little forethought this could have been avoided and copies of the notification could have been simultaneously made available at least in all the important port centres. We are mentioning this just to reinforce the need for greater attention to administrative arrangement in the implementation of the control policy and programme.

We recognise the need for continuing the rigidity of the control on imports. All the same we would like you to give us an overall picture of the position as envisaged by Government for the next shipping period. Comparatively speaking, is the position expected to be easier during the next shipping period? What are the limits or targets that Government have in their view for regulating the imports? Have these targets been separately split up with reference to specific currency areas? In the case of goods which are classed as prohibited, is the prohibition absolute and complete or will licences be given on special consideration? We would appreciate a general statement which would be in the nature, firstly, of a brief review of the working of the control in its present form for the current shipping period, and secondly, an indication of Government's aims and objectives for the next shipping period.

Administrative Arrangements

Complaints are frequent that the administrative procedure in the Import Trade Control Department is far from

satisfactory. Applications remain unattended for quite a long time. Difficulties have been experienced by the Department not being able subsequently to trace the papers connected with applications. While we appreciate that the sudden imposition of the control in its rigid form might have contributed to some unsettlement, it is hoped that by now the necessary arrangements have been made to deal with all administrative matters expeditiously. We had, in this connection, suggested the desirability of placing accredited representatives of the Department in the port centres with powers to take final decisions on all matters of procedure, the Headquarters being concerned with only matters of policy. As it happens, the scope and activities of the local Import Trade Controller, is, to a large extent, restricted and he has to wait for instructions and orders from Headquarters. If work is decentralised to a larger extent the same might assist in ensuring quicker despatch and disposal.

Constitution of an Import Advisory Council

We had also suggested to Government the desirability of setting up an Import Advisory Council on the lines of a similar Council now functioning in the sphere of exports. Such a Council should be concerned with the main features of the Import trade control policy, targets to be fixed for particular periods, quantitative ceilings for different groups of imports, procedure and basis governing grant of quotas, etc. Local Port Committees may also be appointed at the different port centres to advise Import Trade Controllers on difficulties of a local character arising out of the application of the general principles. As it is now more or less obvious, that the control on import would continue for sometime to come, the need for such a consultative body is all the greater. We would like to know if Government have examined the suggestion.

New Entrants and Direct Consumers

When you met us last, it was pointed out that as in the case of exports, some provision might well be made for reserving prescribed proportion of the total import quota for being allowed to new entrants. You had promised that that aspect would be examined while formulating the procedure for issuing licences for the next shipping period commencing from January 1948. We would like to know if Government have since considered this aspect and if so, whether any special provision is being made for the grant of licence to the new entrants in respect of items, the imports of which are regulated on a quota basis.

Complaints regarding Administration of the Import Trade Control

We have received complaints that licences covering goods which were manufactured and warehoused in the exporting countries before 30th June last and which were paid for in terms of irrevocable Letters of Credit have not been re-validated.

Licences for items which are automatically revalidated have been withheld on the ground that there has not been the necessary extension of the covering credit. Again exporting houses which had undertaken to manufacture goods conforming to special specifications in terms of commitments made before the coming into force of the control in its revised form are insisting on the importers fulfilling the commitments or alternatively claiming compensation. The facts relating to such cases involving extenuating circumstances may be specifically gone into.

Licences have to be sent to Delhi for purposes of revalidation. Arrangements may be made authorising Deputy Chief Controller of Imports to revalidate licences which are, as a matter of course, entitled to such revalidation or alternatively to issue certified duplicate copy of the licences. In the absence of the above facility, practical difficulties are being experienced in regard to production of licences for Customs purposes.

Similarly, in the case of consignments cleared on bond, if licences are not produced within one month of the bond, the importer is liable to a penalty. On occasions clearance on bond is necessitated because of the fact that the covering licences are held up in the possession of customs authorities in other ports. The process of transferring the licences from one Customs centre to the other involves delay. In a recent case which was brought to our notice, substantial penalties were recovered in respect of consignments cleared on bond at Madras which were covered by licences held up due to administrative delays in Bombay. The administrative procedure should be simplified so as to eliminate chances of such hardships.

Cases have occurred in which consignments reaching Bombay were confiscated on the ground that the steamers carrying the consignments left the port of export after the expiry of the Import Licence issued here, although when the importer concerned negotiated the documents the same was covered by the necessary licence. It is a little unfair to the importer to be held responsible for the delay in the departure of the steamer, a factor not within his control.

We have also received a complaint that a consignment covered by a valid licence was confiscated by the authorities on the suspicion that the licence in question was one of the licences lost from the Department, although in the particular case the importer was prepared to prove that he had obtained the licence directly from the Department under the normal course.

Import Trade Control and Branch Offices of Foreign Manufacturers or Exporting Houses

It was a grievance that the administrative arrangements connected with the Import Trade Control Policy to a certain extent placed the agents or representatives of foreign manufacturing interests doing business in this country in a position of advantage over Indian importing houses in corresponding activities. Obviously, such agents or branches were not covered by the limitations regarding Letters of Credit, etc. as their transactions could be adjusted by book entries. We understand that certain proposals are reported to be at present under the consideration of Government for the importation of motor cars, motor parts and components by foreign automobile undertakings operating in this country on the basis of deferred payments after a period of years. If any such arrangement is entered into, the same would result in placing the foreign importing houses in a position of definite advantage over Indian houses similarly placed. It is, therefore, necessary to ensure that any special step or assistance for imports of automobiles, parts and components for the automobile industry in the country are such as not to prejudicially affect the position and prospects of Indian-owned undertakings and afford such undertakings a fair and reasonable opportunity for imports of their normal requirements. In short, the administration of the Import Trade Control policy should not result in conferring indirect privileges on foreign-owned or controlled importing houses where such privileges could not be enjoyed or availed of by Indian importing houses.

Summary of the Replies of Mr. G. R. Kamat, I.C.S.

After thanking the Committee for the opportunity afforded to him for an informal exchange of views on matters concerning the Import Trade Control, Mr. Kamat explained the changes effected in the control arrangement by the notification dated the 12th December 1947.

Revised Import Trade Control Procedure

Mr. Kamat explained that the lists of articles covered by the licensing scheme were classified into different groups,

viz. those which would be licensed freely for imports from dollar areas, articles which would be freely licensed for imports from non-dollar sources, articles which would not be licensed at all from any source, which in effect, would mean that imports of the same would not ordinarily be permitted, and articles for which licences would be valid for a period of one year from the date of issue as against the normal validity period of six months. Further, Open General Licence No. IX would be cancelled with effect from 1st January 1948, but commitments already made in respect of articles covered by the cancellation would be allowed to be imported upto 31st March 1948 without the formality of a licence. Moreover, the articles which were previously included in that Open General Licence would now be freely licensed for imports from non-dollar sources. Under the revised arrangements, the licences would be valid for a period of six months from the date of issue as against the previous practice of all licences expiring with the end of the shipping period half-year concerned. Similarly, in respect of goods which were normally expected to involve longer delivery periods, the duration of the licence had been fixed at one year. The new form prescribed for the purpose of application for licences called for more details which would enable Government to judge more correctly the status and past position of an applicant in the trade concerned. The instructions regarding the authorities to whom applications were to be addressed and the arrangement about spread-over in the period for receipt of applications in different batches classified under three groups were intended to ensure quicker disposal; Government expected that normally applications for licences would be disposed of within a period of three months.

The position on the whole might be expected to be comparatively easier in the next licensing period. It has been possible to provide more liberal monetary ceiling for imports from non-dollar areas. In the July|December licensing period the commitments on account of revalidated licences absorbed a good part of the permissible limits. With the elimination of the problem of revalidation, it was expected that it would be possible for the Department to issue fresh licences to a much larger extent than in the previous shipping period.

Administrative Arrangements

Referring to the complaint about administrative delays, Mr. Kamat explained that these delays were caused by a combination of factors which were, largely unforeseen. The unsettlement following the political partition and the disturb-

ances in Delhi caused further strain on the administrative resources and machinery of Government. In order to simplify procedure, certain features of official routine such as registration of Inward communications and acknowledgment of such communications had been dispensed with. This, to some extent, was responsible for the delay in tracing previous papers, but with the coming into force of the revised procedure regarding spread-over and the previous pressure having abated, it was reasonable to expect that in future the Department would be able to dispose of all matters expeditiously and there would, he hoped, be no occasion for complaints about undue delay, or about untraced papers.

Mr. Kamat also explained that detailed instructions were being sent to Import Trade Controllers at the different ports and with the simplified procedure under the new arrangement, the local Import Trade Controllers might well be expected to deal with all matters expeditiously.

Import Advisory Council

Referring to the suggestion about the constitution of an Import Advisory Council, Mr. Kamat observed that the matter was still under consideration and Government had not been able to come to final decisions on the proposal.

Direct Consumers and New Entrants

Under the revised scheme direct consumers were entitled to make applications in respect of their import requirements and where such applications were received particularly from manufacturers in respect of items required for their manufacturing activities, preferential consideration would be extended for their claims.

The reservation of any specified quota for allotment to new applicants might inevitably lead to complaints about indiscriminate issue or to favouritism. In any case the present arrangements did not preclude grant of licences to newcomers if, on merits as disclosed in the application, the Department was satisfied about the case.

Complaints regarding Administration of the Import Trade Control

Mr. Kamat observed that these complaints related mostly to individual cases. If the details were sent to him, he would be glad to look into the matter.

Import Trade Control and Branch Offices of Foreign Manufacturers or Exporting Houses

The Chief Controller explained that as far as he was aware, no such arrangement, which would place Agents or representatives of foreign manufacturing interests in a position of advantage over Indian importers, was under contemplation.

Suggestions for Consideration

The Chief Controller incidentally desired to have the views of the Committee on the suggestions made to him, that firstly, *in respect of freely licensed articles*, import licences should be granted only to parties who were in a position to submit, in support of their application, evidence in the shape of a firm commitment or contract with the foreign exporter or exporters concerned and secondly that the list of licences issued be published from time to time.

The President of the Chamber observed that in view of the important nature of the implications of the above proposals, the Committee of the Chamber would like to have an opportunity to go into the matter fully and would, in due course, be submitting their views to Chief Controller of Imports.

In the course of the supplementary discussion several issues were raised and members present required information on various points. Referring to the complaints about dissatisfaction at the treatment meted out to the members of the public who desired to interview the officials connected with the Import Trade Control Department, Mr. Kamat explained that in the earlier stages when interviews were freely granted, it was found that everyday four to five hours of his time were taken up in giving interviews. This naturally came in the way of quicker disposal of administrative work and consequently restrictions on interviews had to be introduced. He, however, hoped that the revised administrative procedure would, to a large extent, simplify matters and that consequently the members of the public would not have occasion to be subjected to the inconvenience of long waiting for information about the disposal or for opportunities for personally representing their case.

A strong plea was made by certain members of the Committee that the period for shipment in the case of revalidated licences received during the course of December 1947 should be extended at least by one month. The Chief Controller, however, felt that as such revalidation at this stage would again affect the ceilings fixed for imports for the fresh period

and to that extent would come in the way of new licences, Government would prefer that the process of revalidation should now end with the end of December 1947 and that all future commitments should be on the basis of fresh applications.

Quota Limits

It was suggested by several members that the quotas for import should be fixed with reference to quantity and not on value as at present. In relation to the existing level of higher prices the present practice of fixing the same on the basis of value led to a further cut in the quantity allowed for import. The Chief Controller explained that exchange being the main consideration guiding the control on imports, the quotas would necessarily have to be fixed with reference to value. He, however, hoped that with the reduction of the pressure on account of revalidated licences, it would be possible for Government to increase the quotas.

Imports from Russia

Information was sought as to whether the same procedure applied in respect of imports from Russia or whether imports from that country were regulated by different orders. The Chief Controller explained that where there was an indication that supply would be forthcoming from that country, import licences would be issued just on the same basis as they were being issued for other countries. He was however not in a position to give any additional information regarding the arrangements for facilities for private trade between India and Russia.

Imports from Japan

In reply to an enquiry, Mr. Kamat explained that Government were in correspondence with the Supreme Commander regarding the basis of resumption of private trade with Japan with particular reference to the arrangements regulating the basis of payment. The Government of India were anxious to restore trade to private channels. He expected that full details regarding the future trade between India and Japan and the basis on which licences will be issued for such imports might be expected to be announced shortly.

Imports from Germany

The import and export trade of Germany was still controlled by the Occupation authorities. If the said authorities allowed exports from that country to India, for purposes of the import trade regulations, the Government of India would

treat such imports on the same basis as imports from other non-dollar area and grant licences for the same. Here also he thought that the position might be clarified before long.

Pending Applications for which no Replies had been received

Mr. Kamat explained that Government would shortly be advising all such applicants to submit fresh applications.

Amendment in Licences

Government would be very willing to consider requests for changing licences already given for imports from dollar areas to non-dollar areas. However, it would not be possible to agree to licence imports from non-dollar areas on condition of payment in dollar.

Open General Licence

A suggestion was made that articles which were under the existing arrangements being freely licensed may well be placed under an Open General Licence, so that importers may not have to waste time. Mr. Kamat explained that the present arrangement of imports having specifically to be covered by a licence would give Government accurate and timely information of the supplies received and commitments made through imported sources.

Imports of Petrol

In reply to an enquiry Mr. Kamat stated that licences for imports of petrol were being freely granted.

Imports of Raw Silk

Referring to a complaint about absence of any announcement regarding sudden stoppage of licences for imports of raw silk, the Chief Controller stated that the restriction was found necessary in the interests of raw silk producers in the country. He added that although instructions were given departmentally to stop issue of licences, no announcement was made to that effect in order to obviate chances of any repercussions on the market.

Quota for Medicines and Drugs

Referring to the complaint about extremely meagre quota granted for imports of medicines and drugs, the Chief Controller pointed out that the limit for the half year had to be kept low because of the large supplies allowed under revalidation for the previous shipping period. He mentioned that licences worth about Rs. 3 crores had been so revalidated.

Uniformity in Classification for Customs and Import Trade Control Purposes

Suggestions were made that it would be desirable to achieve uniformity in regard to the classification of the items for the above two purposes. The Chief Controller explained that while such uniformity was desirable it would have meant far too many changes in the existing arrangements. All the same the question of re-classification would be gone into.

Licences in respect of Articles Manufactured Locally

In reply to a question the Chief Controller explained that the general policy was that licences in respect of items manufactured in the country would normally be limited to the extent of the estimated deficit in local production. In the case of imports of items of machine tools like Lathe etc., the above principle would generally apply.

The Chief Controller concluded by expressing the hope that in future occasions for complaints about administrative delay would be less. He also added that it would be his endeavour to make more frequent visits to port centres thereby increasing opportunities for contact with representatives of the trade.

APPENDIX 55

Interview with Mr. M. E. Rehman, Chief Controller of Exports, Government of India.

Notes on the Points for Discussion with Mr. M. E. Rehman, Chief Controller of Exports, Government of India, at the meeting with the Committee of the Indian Merchants' Chamber on Friday, 8th August, 1947 at 5-30 p.m. (S.T.).

Mr. Rehman,

I have great pleasure in extending to you a cordial welcome. We are glad to have this opportunity of exchanging views on matters concerning the existing control on exports.

Review of the existing Export Trade Control

The Export Trade Control in its present form has been in existence for more than 1½ years. After the war, it was reviewed in November 1945. Subsequently, as a result of periodical Departmental reviews although certain changes have been made in the Control regulations, perhaps the posi-

tion as a whole has not been reviewed recently. We feel that Government should now, at an early date, re-examine the problem in its entirety. Government have recently re-constituted the Export Advisory Council. No meetings of the re-constituted Council have yet been held. We suggest that the main lines of the policy guiding this Control should now be settled in consultation with the Export Advisory Council. While we realize that any relaxation of the Control will have to be dependent on the improvement in the supply position, we must, at the same time, emphasise that the question has also to be viewed from the point of view of improving our balance of payments position, as also the need for developing new or maintaining old export markets. During the war, certain new industries have been developed in the country. It is very essential from a long-range point of view that such industries should be assisted in securing and establishing export markets. We, therefore, feel that Government should, at an early date, conduct a comprehensive review into the existing export control arrangements and make such practical adjustments which, while ensuring the main purpose of conserving essential supplies first for meeting internal demands, would yet result in the country improving her balance of trade position, and securing increased export markets.

Exports of Cotton

The policy of Government in regard to exports of cotton has caused considerable dissatisfaction among the trade interests. When there was a foreign demand for Indian cotton, Government did not make up their mind in time. The control arrangements did not take into account the practical requirements of the situation. Ultimately, however, Government freed exports from control and this position is to continue till 31st August 1947. There is again uncertainty regarding the future policy after that period. The new cotton season will begin from 1st September and it is high time that Government announced their future policy in regard to exports of cotton. It is reported that among the transitional arrangements between the Indian Union and the Pakistan Government a standstill agreement to continue free movement and exchange of goods between the two territories, at any rate till the end of March 1948, is included. In view of this, it is felt that, at all events, till the end of next March exports free of any control should be continued.

It was announced that exports to Japan would be on a Government to Government basis. We had in the past pointed out that there was no justification for eliminating the trade

channels from this trade. In view, however, of the subsequent development to allow private trade with Japan from 15th August, the position requires to be reviewed and we hope that all future exports of cotton to Japan would be arranged through normal trade channels.

Another prospective market for cotton is China. The position is, however, complicated by difficulties in financing the trade between India and China. The Chettur Mission had in this connection made certain valuable suggestions for the setting up of a suitable machinery for the financing of the trade between the two countries and indicated the need for a special clearing arrangement which would facilitate settlement of accounts between India and China. It is high time that Government gave their attention to this aspect of the problem, as otherwise the country may not be able to take advantage of the market available for Indian cotton in China.

Export of Oilseeds and Oils

In this sphere also the policy of Government has been one of vacillation and drift. First they announced their intention to introduce a tender system. When it was found unworkable they announced export quotas on a destinational basis and invited applications for the same. Applications were to be submitted to Government before the 18th June. Even after the lapse of over six weeks, the exporters are still without any information about the fate of their applications. This has caused a good deal of uncertainty in the trade. Stocks held for export, we understand, are even likely to deteriorate. Government should come to a decision on such matters of policy and procedure quite in advance and it is very unfair that the trade interests should be kept in suspense in this manner. Incidentally, we may point out that, although applications were to be submitted before 18th June, Government continued to receive applications from certain minor ports till the end of July. The above lack of uniformity in procedure places interests in major port centres in a position of disadvantage. Moreover, under the above procedure it would appear that a large number of parties who were not at all in the trade have applied for licences. While we appreciate that new people in the trade should have fair chances, we submit that the arrangements made by Government should be such as to ensure that only parties who have a real interest in the trade get a share in the same.

Under the procedure prescribed applications for licences for export of oilseeds should be accompanied by proofs regarding confirmed sales and letters of credit. It is quite obvious

that before the buyer at the other end is in a position to know the quantity which the supplier will be able to export, it would be difficult to arrange for letters of credit for the value of the full quantity. Naturally, no buyer would like to be placed in a position of having to open letters of credit for the full extent of his requirements unless he knows that there are reasonable chances of supplies to that extent. Instead, it may be provided that within a prescribed period after the grant of the licences if necessary credit was not produced, the licence would be liable to be cancelled. The exporter would know definitely the quantity he is in a position to offer and on the basis thereof can arrange for the necessary letter of credit to cover the quantity licensed.

It will also not be out of place to stress that care should be taken to secure that a substantial proportion of the quotas allowed for exports goes to Indian trade interests. Foreign exporting interests might have had a dominating share of this trade in the pre-war period. The position should be now corrected.

Further, we understand that foreign countries for whom specific quotas have been allotted are making exclusive arrangements for the export of their share through selected foreign agencies. This should not be allowed. The normal channels should be enabled to function and Indian exporting interests should be in a position to enter into direct arrangements with importing interests at the other end or with any central authority that might have been set up by the country concerned for the purpose.

Newcomers and Amount of Fees for Applications

Government are collecting a fee of Rs. 50 in respect of applications for export licences for each commodity and for each destination from new applicants from the reserved quota. While we realise the need for checking frivolous applications, we feel that the fee levied should not amount to something in the nature of a tax, imposing a burden on the trade. Moreover, the fee is not to be refunded in the case of rejected applications. If at all, Government should impose a nominal fee just sufficient to cover the departmental administrative expenses in dealing with such applications.

Exports of Indian Toilet Requisites to Egypt

We had drawn the attention of Government to the fact that export permits given by the Indian authorities for exports of toilet goods to Egypt could not be availed of

because of the restrictions on imports at the other end. On examination it was found that the Import Licence there was refused because the entire quota of imports had been allowed to one firm in England. This amounts to an act of administrative discrimination. Normal trade relations are supposed to subsist between India and Egypt, and it is not fair that Indian goods should be excluded in the above manner by any kind of official preferential arrangement.

Export of Wooden Furniture and Cabinetware

Under the existing orders exports of furniture and cabinetware are allowed on a quota basis. It is, however, provided that export of furniture made of teak wood would be allowed only to the extent of 5% of the quota of each exporter. Furniture in demand for export purposes is generally made of teak wood and not of coniferous timber and if a restriction of 5% is to be imposed it would in effect mean that there would practically be no exports. Again, in the past the share of Indian exports in furniture was not substantial and there is no particular point in linking export permission to past performance in basic years. Instead, quotas on quantitative basis may be fixed and export permission within the said quotas be allowed without any further restrictions or conditions.

Control on Exports of Drugs and Medicines

The procedure prescribed for applications for export permission for drugs and medicines is considered by manufacturing interests to be very cumbersome. Applicants are required to submit particulars relating to production, composition of medicines, previous exports, quantity sold in India, present stock position, etc. While we appreciate the anxiety of Government to conserve adequate supplies for internal consumption, we would, at the same time, submit that due consideration should be given to the practical difficulties involved in conforming to the above requirements. Moreover, the Indian pharmaceutical industry is a nascent industry and it has to develop an export market. In a line like drugs and chemicals, continuity in supplies plays an important part, and medicinal preparations which have once found favour in any country and for which a regular demand has been created, can retain their demand in the market only if the supplies are continuous and regular. We suggest that the whole policy and procedure governing control on exports of drugs and medicines should be discussed and settled with representatives of the industry so that long-term arrangements which give due regard to the internal supply position and at the same time provide an opportunity

for the indigenous industry in the export markets, may be evolved.

Exports of Bones, Bone-meal, Grist etc.

We had recently occasion to send a strong protest against the policy of Government in allowing exports of bone, bone-meal etc., from the country. This has led to a sharp rise in the price of bone with the result that there is an automatic check on the increased use of such bones in the various processing purposes such as manufacture of bone fat, bone grist, bone meal, tallow etc., manufacture of gilatine, manufacture of glue and also in the manufacture of super-phosphates. In the present conditions of food shortage, steps to enrich the soil by increased and intensified use of effective manure are of great importance. Super-phosphates is an inorganic manure of great value. There is a strong feeling that the entire bone resources of India should be absorbed in the country in the above manufacturing processes and for increasing the supplies of super-phosphates so essential at this juncture for making the land yield more.

APPENDIX 56

Meeting of the Members of the Chamber with the Honourable the Prime Minister and other Ministers of the Government of Bombay.

Speech of Mr. Ratilal M. Gandhi, President, Indian Merchants' Chamber, on the occasion of the meeting with the Hon'ble Mr. B. G. Kher, Prime Minister, and the other Ministers of the Government of Bombay, on Monday, the 21st April 1947 at 4 p.m. (S.T.)

Balasaheb Kher and Members of the Provincial Cabinet,

I consider it a great privilege to have been afforded this opportunity of extending to you, Balasaheb Kher, and your colleagues in the Provincial Cabinet, a very hearty and cordial welcome on behalf of the members of the Indian Merchants' Chamber. As you are, no doubt, aware, the Indian Merchants' Chamber has all along allied itself very closely with the cause of Indian nationalism and stood by those who were in the vanguard of the country's fight for freedom. The Chamber realised at an early stage that, in the circumstances in which this country was placed, economics and business were closely intertwined with politics and that the realisation of economic freedom for the people of the land was dependent on the country achieving political independence. Naturally, therefore, we of the commercial com-

munity share the joys and glories of the developments which have led to the leaders of the people assuming the reins of power in the Provincial Government. We also cherish the hope that the progress of the further stages of the complete transference of power into the hands of the representatives of the people and the emergence of this ancient land as a sovereign independent State will be expedited and that that transformation will be achieved in a peaceful, orderly and dignified manner.

We are quite conscious of the ideologies and aspirations animating the political leaders, in whose hands the destinies of the country have been placed. You will permit us to claim, in all humility, that we are second to none in our desire to assist in the process of the realisation of those objectives and aspirations. We recognise that political freedom will be meaningless unless it ushers in a new era for the large masses of the population of the land and secures to them fairer conditions of life and work. As far as one can look ahead, it is, therefore, quite obvious that issues of an economic character are likely to loom large in the immediate future in the affairs of this Province in common with the rest of the country. It is needless for me to assure you, Sirs, that we will continue to take an enlightened interest in the discussion of policies and programmes in that sphere and will also consider it to be our duty to extend to the Provincial Government, to you and your colleagues, our full measure of co-operation.

It is not unlikely that we may have on occasions to assume a critical role in the examination and consideration of plans, proposals and policies, which the Popular Government may, from time to time, initiate in the furtherance of its main purpose of achieving the progress of society as a whole. But, I may assure you that even when we feel constrained to adopt that role, it will be in a spirit of constructive criticism so as to bring prominently to your notice those aspects of the problems concerned which, according to us, may not have attracted sufficient attention.

You will at this stage permit me to refer briefly to the *raison d'etre* of today's gathering. In informal conversations with you, Sir, and some of your colleagues as also in the observations in some of the meetings held after my election as President of the Chamber, I expressed my anxiety to bring about a closer contact between the commercial community on the one hand and the Provincial Government, through the Ministers, on the other. Myself and some of my colleagues with whom I had informal talks in the matter

felt that, in the existing position of affairs, the Chamber should strive to be an active and effective liaison and connecting link between the business community and Government. We have thought it necessary to trouble you today to meet us here as a first step in that direction of bringing about a close and continuous contact. The personal contact resulting from such informal occasions has also its own pyschological value. It is our intention to continue this process by arranging, at frequent intervals, meetings with individual Ministers in charge of respective Departments with a view to discussing problems pertaining particularly to such Departments. In short, we desire that that aloofness and distance, which in the past had characterised the relations between the Government and the governed, should, in the altered circumstances, disappear and that every endeavour should be made to understand the respective points of view. I have no doubt in my mind that, in the long run such a procedure will be found to be mutually advantageous.

I have no desire today to raise any special or particular problem for discussion on this occasion. I will only request your indulgence for being allowed to make some general observations regarding the role of the merchant and the trader *vis-a-vis* society. I am conscious of the fact that, rightly or wrongly, the mercantile community, as a class, have come in for a good deal of criticism in connection with some of the unfortunate and unpleasant developments during these days of stress and strain. There has been a tendency to brand them, as a class, as anti-social elements. I do not, for a moment, claim that all merchants are angels. There might have been lapses. The extraordinary circumstances prevailing during the war might have made some forget, for the time being, their function and role and their primary duty to their patrons; but isolated experiences in an exceptional period would not justify adverse conclusions of a general character. Every flock may have a black sheep; but that one has to be looked upon as an exception and not as a general rule. There is a tendency lately to treat the commercial classes generally with some degree of suspicion. This atmosphere of suspicion and lack of confidence should go. The industrial and commercial community of the country have their part to play in the plans and proposals for development and progress. They function as an effective agency in the organisation of the economic life and activities of the land and their experience, knowledge and special aptitude should be harnessed in full for the larger good of society as a whole. Government should welcome every opportunity for co-operation and consultation with commercial interests and all

functions of a commercial character should, as far as possible, be entrusted to the normal channels of trade.

The main sphere connected with the organisation and handling of our civil supplies is now under the control of Government. This naturally has led to some extent to the elimination of the normal channels of trade from their natural sphere of work. We are looking forward to the early restoration of normal conditions so that traders and merchants could play their traditional role in providing and extending to the people of the land the machinery and their services for the handling and distribution of goods, for which they are specially equipped.

Government had also to improvise an elaborate machinery for carrying on these activities and for the administration of the work connected with the controls. You cannot be unaware of the growing feeling in the public mind about the existence of malpractices and corruption in the spheres of the administration of these controls. To some extent, this may be a heritage of the past, but the machinery, as a whole, requires to be toned up. We are aware that Government are exercising greater vigilance in regard to the improvement of the standard and efficiency of the public services in the province. We will only reinforce the demand for speedier and sterner measures so that this none-too-happy record of administrative derelictions will be a thing of the past.

Enlarging on the theme for increased opportunities for consultation and contact between the commercial community and the Government, I would, on this occasion, like to make one suggestion. The Government of Bombay should set up an Advisory Body in the province composed of representatives of commercial organisations and industrialists to advise them on the various aspects of matters essentially concerning trade, commerce and industry. The initiation of fresh policies or the implementation of new programmes, should be subject to prior consultation with such an Advisory Body. By such a process, Government will make available to themselves the expert views and the experienced reaction of those, who have specialised or have particular knowledge, of matters in that sphere. In fact, even under the bureaucratic days of the past, the Central Government had some such Advisory Bodies attached to their main Departments. In a period like this, when new methods and experiments are being thought of and tried, it is all the more necessary to provide some such machinery for proper consultation and closer scrutiny. If you will pardon me for borrowing an American phraseology, the Provincial Government may with advantage, constitute a non-official "brain trust" for assist-

ing them in the examination and evaluation of their policies, measures and proposals affecting directly trade, commerce and industry.

Before I conclude, I would like to avail myself of this opportunity to address a few words of appeal, if not advice, to my merchant brothers. It is very essential that the merchants and traders in the land should have a clearer perception of their duty to the public and a more proper sense of their responsibility. The merchants are an effective link in the organisation of society. They have an important role to fill. They cater to the needs and requirements of the citizen. All this has to be done in a spirit of service. Personal advantage of profit and gain is only incidental. The railway service is not run just because the State may have a few crores of rupees as surplus. The Electric generating licence is not given just because the licensee company may be enabled to declare a dividend to its shareholders. The primary objects are the provision of a transport service for the public in the former case and of supply of energy for essential purposes in the latter. Even so, in the organisation of trade, the supply of the essentials of life to those constituting society on terms and conditions which are fair and above reproach, is the main purpose. Lured by ideas of getting rich quick, let not the members of the commercial community deviate from this—their primary responsibility. The injudicious acts of a few have unjustifiably earned a foul name for the class as a whole. We have to reclaim our fair name by applying ourselves zealously, and in a spirit of service, to the main task of providing to the community, the necessary machinery for supplying their daily needs on terms and conditions which are above reproach. Inspired by the new spirit of service, animating our leaders, who are, in the political sphere, doing their work as a labour of love, let us develop a new consciousness of our sense of duty and responsibility to society at large.

I have again to thank you, Prime Minister Kher, and your colleagues, for having done us the honour by being in our midst today. Before I request you to let us have the benefit of your observations on some of the general issues that I have raised, today, perhaps you won't mind, if some of those present here express a desire to speak on the occasion. Such speeches, of course, will have to be brief and to the point. If any one wishes to address the meeting, he is welcome to do so.

Replying in Hindustani to the address on behalf of himself and his colleagues, Mr. B. G. Kher, the Prime Minister, said:

"I am very grateful indeed to yourself and your Committee for having given me this opportunity of meeting not only yourself but also the representatives of the various commercial organizations which go to constitute the Indian Merchants' Chamber of Bombay. I consider this occasion, in a sense, as unique, because apart from a few ceremonial occasions—such as your reception to Sardar Vallabhbhai on his first visit to Bombay after the formation of the Interim Government—when all these representatives could foregather this is the first time, I believe, in the history of the Chamber when it has been found possible to invite them to meet you and to establish, through you, contacts with those who are in charge of the administration of the Province. I welcome all such opportunities for extending personal contacts and for making various sections of the community feel that they are associated with the consideration of the problems that affect them in their daily life and work.

Under the regime that is now ending, it was a practice for the Governor who was the head of the Province to attend, regularly, the annual meetings of the Bombay Chamber of Commerce; while the Governor-General used to address till this year the corresponding meetings of the Associated Chambers of Commerce. Both these are organisations representing principally non-Indian business interests in India which took good care to see that, through these annual gatherings, at least, they had an opportunity of making their point of view and their wishes known to the heads of the Provincial and Central Governments. I am aware that it is the practice for the Federation of Indian Chambers of Commerce to invite to its annual session Members of the Government of India in charge of various Departments concerned with Commerce and Industries. It will be for you, friends, to decide to see in what form the conventions which were in vogue under the old system of administration are best adapted to suit the altered political conditions today.

Growth of Trade and Industries

Before I turn to the various matters of public policy which you, Sir, have dealt with in your welcome speech, I should like to pay a tribute to the invaluable services which this Chamber of yours had rendered to the cause of commercial progress and industrial development, not only in this Province but in the whole of India. It is the pioneer organization of its type in our country, the exemplar for institutions with similar aims and objects founded subsequently in different parts of India—and even in Burma and Ceylon. It has paved the way for the formation of the establishment of

the present all-India organization to represent commercial interests, and it is still the main prop of that body. Your Chamber has been all along a dauntless advocate of the interests of the nationals of the country in the growth of its trade and industries, at a time when such advocacy was anathema to those who then moulded the economic destinies of the country.

Assistance to Government

I do not think it is necessary for me to recount today the services of the distinguished leaders in the world of business —several of whom are fortunately still in our midst—who contributed to the building up of the tradition for which your Chamber stands. But before I pass on to other topics, I should like to refer to the great assistance which the Government of the Province have derived, even during the last one year, by drawing upon the knowledge and experience of the leaders of your Chamber. Apart from your being a prominent member of the Legislature, you, Sir, have ungrudgingly placed your services at the disposal of the Government by agreeing to serve on the Provincial Food and Commodities Advisory Board as also in its Standing Committee. Your predecessor in office, Mr. Mahomed Hussein Hasham Premji, helped us in an investigation into the structure and working of the Bombay Sales Tax Act. His predecessor, Mr. M. A. Master, is Chairman of a Committee to inquire into the development of various ports on the sea coast of the Provincial boundaries. Another ex-President of your Chamber, Mr. Manu Subedar, kindly undertook an inquiry into the potentialities of Village Industries in the Province. We hope shortly to utilize the services of your distinguished ex-Secretary, my old co-worker, Mr. Jaisukhlal Mehta, for the Appellate Tribunal to be constituted under the Bombay Sales Tax Act. This is in addition to the constant help we received from you and your colleagues and from your representatives and the other representatives of trading and industrial interests in the Legislature.

Foodgrains Control still Necessary

Among the questions that agitate the world of business today there is none of such outstanding importance as the future of controls over trading in various commodities. My task in dealing with this subject has been facilitated by the fact that only last week we had presented to you a comprehensive and lucid survey of the position by no less authority than Dr. Rajendra Prasad. For reasons that he explained the shortage in essential fooodstuffs is not likely to end in the near future; and until we see signs of its termination,

it will be improper to abandon the present policy of controlling the supply of foodgrains to all sections of the community. To be effective, this policy must comprehend procurement, monopoly trading by the State and rationing. Our outlook on measures of control over other commodities is guided by the same general considerations. To what extent it is essential for the life of the community, how far is it in short supply, will the situation be eased merely by exercise of control over prices and movements or will purchase and supply have to be undertaken by Government? With these factors all the time in their mind, Government review from time to time, the position of one commodity after another; and it is only when they are convinced that the establishment or continuance of controls, partial or full, is demonstrably called for in the larger interests of the community that they agree to impose or retain them.

Representations to Central Government

Besides, as you friends are well aware, these controls have got to be part of an All-India policy, and while we make our position and your views very clearly and emphatically made known to the authorities at the Centre, once a decision is taken by the Central Government in the light of conditions in the country as a whole, we loyally abide by these decisions. Our views on the subject of the control of cloth and sugar have thus been fully set forth before the Central Government; but pending the final decision of the Central Government on the subject, you cannot expect me to convey to you any idea about the future policy of the Provincial Government in this matter.

No Desire to Perpetuate Controls

When the controls are in operation, it is true that the normal channels of trade are interfered with. Wherever possible, however, the services of those engaged in a particular trade are utilised for conducting the controlled trading operations. It is only when Government are satisfied that this form of trading does not suit the particular requirements of the occasion that resort is had to State trading. Government have certainly no desire to perpetuate the system of State trading as it were a permanent feature of the economic structure of the Province. It is pertinent, however, to examine the main reasons which have led to the introduction of State trading in this Province and elsewhere. Everywhere, there were not a few among those in charge of the trade in various essential commodities who did not exploit the abnormal situation caused by the shortage of supplies for purposes of personal aggrandisement, forgetting that trade

represented service to the community. I agree that experience is not unique in this respect in India, but that is no reason why a higher moral standard should not be aimed at by the commercial community in our country. That hoarding and profiteering are anti-social and that blackmarketing is not only an offence under the law but is morally wrong may have been inadequately appreciated when we had a foreign Government to rule over us; but this should certainly no longer be the case when the people have their own representatives in authority both in the province and at the Centre.

Industrial Development of Province

You have referred, Sir, in very general terms, to the need for the formulation of an industrial policy in the Province when you have put forward your suggestion that an Advisory Council should be set up for the purpose. As some of you friends are probably aware, in June 1945, the previous Government appointed a Provincial Industrial Committee consisting of officials and non-officials. This Committee appointed seven sub-Committees to deal with various aspects of industrial development in the Province. The Reports of four of these sub-Committees have been received and the remaining are expected very shortly. The Provincial Committee will then examine these reports and formulate its own conclusions, I understand, sometime in June. That body itself will cease to exist having then fulfilled the purpose for which it was created, and at that stage it will be appropriate for Government to decide what advisory or other body they should set up to advise them about the future industrial development of the Province. While doing so, Government will surely take into account the suggestion thrown out by you as also the detailed recommendations made on the subject by the Advisory Planning Board appointed by the Government of India.

Future Pattern of Enterprise

It will be for a board or Council which Government may establish to examine whether the future industrial development is to be on the basis of public enterprise or private enterprise or is not to be of a set pattern but may assume various forms ranging from unrestricted private enterprise to absolute state ownership. In his recent address to the annual session of the All-India Manufacturers' Association, our leader Pandit Jawaharlal has given an indication of the shape of things to come as he envisaged it. I have no doubt in my own mind that in the future structure of our society economic enterprise, commercial and industrial, may be more largely

controlled on behalf of the community than it has been in the past in India. Some enterprises may profitably be undertaken by consumers and some by small-scale producers co-operatively in their own interests. Others will have to be owned and ordinarily managed by the State. But even then there will still remain scope for initiative and enterprise on the part of individuals who wish thus to find expression for their energy and organising ability. But all these qualities have to be harnessed for the good of the community and the gains of the economic effort have to be held at the disposal of the community. That is the ideal form of social organisation which has been held forth before us by Mahatma Gandhi and that is the ideal which I would, in conclusion, urge the members of this doyen among business bodies to cherish!"

APPENDIX 57

Interview with the Hon'ble Mr. Dinkerrao Desai, Minister. for Civil Supplies, Government of Bombay.

Speech of Mr. Ratilal M. Gandhi, M.L.C., President, Indian Merchants' Chamber, at the interview with the Honourable Mr. Dinkarrao Desai, Minister for Civil Supplies, Government of Bombay, on Monday, the 16th June 1947 at 5 p.m. (S.T.).

Sjt. Dinkarrao Desai,

I have great pleasure in extending to you a cordial welcome. We are, indeed, grateful to you for having readily responded to our wishes and agreed to come over here for an informal exchange of views on the main aspects of the problems relating to civil supplies, particularly food and clothing, which, at the moment, are causing some concern, both to Government and to the public. You will, no doubt, recollect that when the Ministers of the Provincial Government were good enough to meet us in April last, I had mentioned that it was our intention to continue the process of more frequent personal contact and that towards that end we were desirous of arranging, at frequent intervals, meetings with individual Ministers in charge of respective Departments with a view to discuss problems pertaining particularly to such Departments. Naturally, at the moment, civil supplies are uppermost in all our minds and we, therefore, welcome this opportunity of a free and frank exchange of views on the different facts of that problem. In order to afford ample time for members for informally discussing the matter with you, I will be very brief in my preliminary observations.

Food Supplies

The Honourable Food Member of the Government of India in his recent statements disclosed that production of foodgrains in the country as a whole in the year 1946-47 was expected to amount to 44,586,000 tons as against the average production of 46,500,000 tons in the five-years ending 1945-46. Obviously, notwithstanding the "Grow-More-Food" campaign and efforts to increase production, the yield has actually gone down. On the above basis, he estimated that the country would be faced with a shortage of 4½ million tons of cereals in the current year. On the side of imports from abroad, the allotments made to this country have not been fulfilled. It is expected that by the end of June we would be getting import assistance to the extent of little over two million tons. The problem of making up this gap of about 2½ million tons of cereals for the current year is a pressing one. We would like to know if the Provincial Government have any subsequent information about the prospects of getting additional import assistance so far as the country as a whole is concerned.

Coming to the Provincial food position, we are told that the supplies in hand and in sight amount to only 30,000 tons of wheat, of which 18,000 tons will have to be reserved for seed, and 113,000 tons of rice, and are expected to carry the province through till the middle of July. There are already rumours of an imminent possibility of a reduction in the quantum of ration. The present ration of 12 oz. per adult per week of basic grains is in itself quite inadequate to provide the minimum nutritional standards and apart from the long-range consequences resulting from under-feeding, the reactions to a reduction in the ration in a province like Bombay, and particularly in the cities, with their large labour population, are bound to be grave. We submit that Government should make every effort to avoid any reduction in the ration and impress upon the Central Government to arrange for the minimum requirements of the province which will see us through the remaining months of the year.

We may, in this connection, recall that we had early in April this year addressed a communication to the Provincial Government on the subject of the food situation in the province. We had therefore made certain suggestions. I would like to briefly recapitulate those suggestions.

Firstly, we had submitted that the Provincial Government should impress upon the Government of India the desirability of removing controls on movement, distribution, etc. of all articles of foodstuffs except in basic cereals. There

should be free trade in foodstuffs throughout the country, all provincial and State bans being removed.

Inter-provincial-State movements of food articles other than cereals should be free. Instead of facilitating unhampered movement of foodstuffs, the present restrictions have obstructed supplies from producing and surplus areas moving to centres of consumption. There is no point in continuing the inter-provincial control on movements of subsidiary items of foodstuffs like pulses, gur, kariana, etc. The recent experience in decontrolling oilseeds and vegetable oils lends support to this view. Oilseeds and oils are moving freely and the prices have also gone down.

Import Restrictions

When the country is in short-supply, a policy of restrictions on imports except on the basis of licences or permission strikes one as anamolous. Instances have been brought to our notice of offers of supplies of foodstuffs other than cereals from foreign countries which the merchants here are not in a position to accept because of the official restrictions on imports. Supplies of appreciable quantities of grams and pulses are available in places like Port Sudan, Eritrea, and Ethiopia. In fact, some supplies which were offered to merchants here were subsequently sold to Colombo and Madras. Similarly, Port Sudan and Eritrea have some surplus of Tuvar dal. Kenya is willing to spare some supplies of Mung. Australia and Aden are in a position to suplpy peas and Tanginyaka to supply Chola and Tuvar. Madras, Tuticorin and Colombo ports have arranged for the importation of val (red) from Port Sudan. Similarly, Madras has received from Port Sudan, supplies of Chola. This port is also in a position to spare some quantities of gram, Masur, etc. If private imports of all these food items other than basic cereal are made completely free, there would be greater freedom for merchants in negotiating for supplies and in making it possible to import the same into the province. Government should also consider and accept offers from private trade who may be able to arrange for such supplies.

Supply Position of Pulses

We would like to bring to your notice the extremely unsatisfactory position at present obtaining in the matter of supplies of pulses. The quantities allowed in the informal rationing of these items are inadequate to meet the normal requirements. The quality is also very inferior. When basic cereals are short, there is the greater need for a more plentiful supply of such subsidiary items so as to secure a

more balanced diet. We would like to have fuller information on the efforts made by Government for increasing supplies of pulses and dals. Here also, there is a strong feeling that if merchants are given complete freedom to secure supplies, it may be possible for them to arrange for the needs of the province from sources of production in the country through normal commercial channels.

Restoration of Normal Trade Channels

The main sphere, connected with the organisation and handling of our civil supplies is now under the control of Government. This has led to the elimination of normal channels of trade to a large extent from their natural sphere of work. Even if Government propose to continue the control on distribution of foodstuffs, including cereals, the entire work of procurement, storage and distribution should, without any further delay, revert to the normal channels of trade. In Bombay City, particularly the wholesale trade in cereals has been completely eliminated. Retail distribution is, to some extent, continued through retail traders, but even here, Government have started their own shops and in the mofussil there is an increasing tendency for concentrating such work through the agency of Co-operative Societies. We submit that the time is now ripe for an entire review of the whole policy governing handling and distribution so that private channels of trade may be enabled to play their proper role in these spheres of activities. In our opinion, Government's work should be confined to arranging for supplies from surplus centres. The whole process of moving those supplies, handling them and arranging for their distribution should revert back to the traditional channels. We are making no special claim when we say that the trade agency, because of its past experience and insight into the actual requirements of the situation, will be able to discharge these functions more economically and efficiently.

Need for Greater Consultation

We have often in the past stressed the need for increased and continuous contact between Government and trade interests. We are aware that Government have set up a Provincial Food and Commodity Advisory Board. Meetings of this Board, however, are held at long intervals. In the past, Government had set up separate panels for specific trades. Advice and views of such trades were obtained through these panels on all matters concerning supplies of items covered by the respective panels. The trade interests are very anxious to assist Government in the difficult task of organising the free and regular flow of all essential articles for the needs

of the population. Government should evolve a practical method of utilising their services and towards that end create opportunities for a more active and close contact. Perhaps, members present will, during the course of the subsequent discussion, make practical suggestions as to how this could be done.

Cloth Control

Before I conclude, I would like to make a reference to the extremely unsatisfactory position regarding cloth control. It must be acknowledged that the control has more or less failed to achieve the main purpose of securing to the civil population the minimum supply of cloth requirement. A system of cloth rationing, with an annual ration of ten yards per adult, is almost a farce, particularly when, on the other hand, we hear reports of accumulating stocks not moving or not being taken delivery of. We understand that the Government of India are at present actively considering the future of the cloth control. Our own view is that if the control is removed after, perhaps, an initial period of higher prices, conditions will quickly find their own level and the present acuteness in the supply position will be relieved.

APPENDIX 58

Interview with Mr. A. D. Azher, Indian Government Trade Commissioner-designate for Australia

Speech of Mr. Ratilal Mulji Gandhi, President, Indian Merchants' Chamber, at the meeting with Mr. A. D. Azher, Indian Government Trade Commissioner-Designate for Australia, on Wednesday, the 30th April 1947 at 12 noon (S.T.).

Mr. Azher,

I have great pleasure in extending to you a cordial welcome. It was indeed very good of you to have expressed your desire to meet the Members of the Committee of this Chamber and discuss with them questions relating to India's trade with Australia. In November last, we had the pleasure of meeting the Members of the Australian Industrialists' Delegation and discussing with them some of the important questions affecting the Indo-Australian trade. It is very vital that Trade Commissioners should, as has been the practice in the past, maintain close and intimate contacts with responsible Associations representing trade, commerce and industry in the country. They must avail all such occasions

of periodical visits for exchange of views on matters relating to the export and import trade of the country.

It has been brought to our notice that the remarkably favourable changes that were brought about in the character, composition and volume of our trade with Australia during war years are in the process of being lost to our country. From the available figures, it is clear that compared to our exports to Australia during 1945, the total value of exports from India during April-June 1948 registered a decline of over £2.3 millions, a decrease of nearly 50 per cent, the respective figures for the years being £4.4 and £2.1 millions. It is said that noteworthy contraction in our exports was in respect of bags and sacks, certain types of cotton manufactures, cotton yarns, goat skins, hemp rape and mixture, linseed and other seeds, spices, tea and wool packs. We were, however, able to make larger exports in the items such as carpets and carpetting, fibre, coir mats and matting, coir yarn, cotton waste, jute, Kapok, paraffin and other waxes, pepper, shellac, white bleached cotton goods, etc. The phenomenal rise witnessed during the war years was largely due to exigencies of war namely the almost complete elimination of competitors in the Australian market. But with the cessation of hostilities, the factors which contributed to raising India to a pre-eminent position of occupying the third place in the overseas trade of Australia are gradually becoming inoperative. Indian exports of cotton piecegoods which amounted to 15.3 million pounds out of our total exports of 20.7 million pounds in 1943-44 are no longer able to commend the same market, partly due to the shortage of supplies in India and the consequent curtailment of the export quota to Australia and partly due to the supply from other sources particularly U.K., U.S.A., and Canada. I am afraid even if India were in a position to set up her production in respect of cloth we will have to face severe competition arising out of the proposed rehabilitation of textile industry in Japan with a view also to securing foreign markets in near future and the discriminating treatment in favour of British products in the Australian market. While it may be possible to maintain our traditional exports to Australia namely jute, hides and skins, nuts and oilseeds, spices, etc. we will have to face competition in other items and particularly goods from U.K. which enjoy a more favourable position on account of the favourable treatment meted out to them.

India would indeed be very anxious to retain the position secured by her goods in the Australian markets. Besides we understand that there is good scope in the Australian market for the goods manufactured in India such as sports

requisites, buttons, cutlery, hardware, jewellery and manufactures of silk. It is, in this connection, Sir, that you can render a great service to this country by giving proper assistance and guidance in devising the necessary ways and means in respect of improved marketing methods based on the intensive study of the market requirements there. We would like you to make suggestions and recommendations to exporters as to what changes and improvements should be effected by them in order to make their goods more attractive and competitive in the Australian markets and the directions in which we can extend the scope of our exports. During the visit of the Australian Industrialists Delegation, Mr. B. Meecham, the leader of the Delegation had expressed a strong desire for increasing and improving the volume of business between our country and Australia. There are several factors favourable for fostering greater trade relations mutually beneficial to both the countries. Besides geographical proximity of the two countries, production in the respective countries is not competitive but complimentary with the result that each will need what the other produces. As a Trade Commissioner of this country in Australia, you can play a very important role in facilitating the trades between the two countries and being the man on the spot you will have greater opportunities of studying the market conditions, the changing taste of the consumers and the varying demands and I am sure you will not only keep this country acquainted regarding these matters from time to time but will further help in stimulating the exports from this country by organising a Publicity Drive through Industrial Exhibitions and various other means.

I should now like to turn to our import requirements. You are aware, Sir, that for implementing our programme of rapid industrialisation, the supply of capital goods has proved to be a difficult hurdle. India is naturally anxious to secure such industrial machinery and equipments as can be available from Australia. The possibility of securing assistance from Australia in respect of supplies of capital goods was one of the main points of discussion with the Australian Industrialists' Delegation. We were told that on effecting reconversion to peace-time production and overcoming the shortage of materials, man-power and coal, Australia may be able to meet some of the requirements of India in this regard. It was stated in one of the reports of your predecessor that Australia was in a position to offer machinery for manufacture of paper, hardware, plastics, plywood, bicycles, electric wires and cables, mining, shipping and engineering, etc. It was further stated that Australia produces in sufficient quantities to provide a surplus for export of agricultural machi-

nery. In this connection, we would like to request you to pursue this matter in Australia and find out the lines in which Australia will be able to supply plant and machinery for export to India within a reasonable period of time and whether the Australian prices will be competitive as against other countries.

Incidentally, I may refer to the necessity of securing to Indian interests every facility for establishing trade relations with Australia. Both countries, enjoying favourable conditions for trade as they do, are anxious to foster closer trade on progressive lines. In order to stimulate such healthy relations, Indian merchants and firms might like to establish their branch offices in Australia. Indians have none-too-pleasant experience in this regard in foreign countries and every effort should be made to get all the Immigration and other restrictions removed at an early date so that our nationals are accorded all the accepted international rights regarding residence, profession or occupation, travel, journey, etc.

I have now to request you to give us the benefit of your views and suggestions in regard to the prospects of Indo-Australian trade.

APPENDIX 59

Delay in Response to Letters addressed to Indian Trade Commissioners Abroad.

Letter No. 3030, dated 3rd November 1947, from Chamber to the Department of Commercial Intelligence and Statistics, Calcutta.

I am directed to refer to this office communication No. 1171, dated the 9th May 1946 in regard to the difficulties experienced by the mercantile community as a result of proper attention not being paid to commercial enquiries addressed by Indian merchants to Indian Trade Commissioners in foreign countries. My Committee regret that no reply has yet been sent to this office communication referred to above. Complaints in regard to lack of proper attention to important commercial enquiries from India are still being received. They, therefore, would like to reiterate that it is of urgent importance that Government should review the present position in regard to the responsibility of Indian Trade Commissioners to reply satisfactorily and promptly to trade enquiries addressed to them by Indian merchants. My Committee would again stress that the offices of Indian Trade

Commissioners abroad should have attached to them full fledged Enquiry Departments; fully equipped and be in a position to answer all trade enquiries from this country and also to furnish all information to merchants and firms regarding trade possibilities and conditions in those foreign countries. They would also like to invite the attention of Government to the delay in receiving replies from Trade Commissioners due to Trade Commissioners' replies being sent through the Director of Commercial Intelligence and not direct to the parties from whom the enquiries emanated. My Committee hope and trust that attention will be paid to this urgent request of the commercial community of bringing home to the Indian Trade Commissioners abroad the importance of giving immediate attention to such communications. It is urged that Government may be pleased to pass the necesary instructions to the Indian Trade Commissioners abroad in the above matter.

Letter No. 10156-C.I.D., dated 10th December 1947, from the Department of Commercial Intelligence and Statistics, Calcutta to Chamber.

With reference to your letter No. 3030, dated 3rd November 1947, on the above subject, I write to say that in the interest of Indian trade only firms who are known to be of good standing are usually introduced to overseas firms by this Department. The Indian Government Trade Commissioner's letters received in this Department for transmission to the firms in India who are not registered here cannot be transmitted to them immediately on receipt as certain preliminary enquiries have to be made through the usual channels. These enquiries very often take time, particularly when the required information has to be obtained from other sources. Hence it is natural that some unavoidable delay is bound to occur. Every endeavour is however made to have the matter expedited in so far as the limited staff of this Department can cope with the increased work arising out of the appointments of Trade Commissioners in various countries. But such delays are considerably minimised in the case of firms who have already been registered in this Department or who have had previous correspondence with the Trade Commissioners.

APPENDIX 60

Trade and Industrial Delegations to other Countries.

Letter No. 744, dated 8th April 1947, from Chamber to the Department of Commerce, Government of India.

Reports have recently appeared, from time to time, in the press about proposals and intentions of the Government of India to send Trade and Industrial delegations to foreign countries, particularly, Japan and Germany. This office is receiving enquiries for information about the details of such delegations, as to when they are expected to go, the manner and method of selecting the personnel of the delegations and the procedure to be adopted if any trade or industrial interests want the delegation to make special enquiries about the lines or items in which they may be interested.

In order to enable me to deal with such enquiries, I have to request Government to be good enough to send detailed information regarding the proposals now under contemplation. The information is particularly desired on the following points :—

The countries to which Government intend to send delegations in the immediate future;

the manner and method of fixing up the personnel of such delegations;

the procedure to be adopted if certain special interests want their Members or Representatives to be included or attached to the delegations;

the procedure to be adopted in making requests to the delegations for assistance in obtaining information on specified matters.

An early reply is requested.

Letter No. 6-C(6)|47, dated 12th July 1947, from the Department of Commerce to Chamber.

With reference to your letter No. 744, dated the 8th April 1947 on the above subject, I am directed to say that a decision to send a trade delegation to any particular country is taken after giving due consideration to the commercial relations existing with that country and the probable benefits that are likely to result. The personnel is selected with due regard to the object of the delegation. When the decision to send a delegation has been taken and the composition of the delegation has been decided upon suitable publicity is given in the national press. Any request for assistance from the

delegation should be addressed to the Department of the Government of India sponsoring the delegation.

Any particular section of the business community which considers that a delegation should be sent to foster and protect its interest in trade with any country should address the Commerce Department in the first instance and due consideration will be given to its request. A Trade Mission sponsored by the Commerce and Industries and Supplies Departments is at present visiting Japan and it is proposed to send a delegation representing the interests of the South Indian Tanning Industry to Europe and the United States in the very near future.

APPENDIX 61

Supply of Information regarding Percentage of Agents' Commission in Department Tenders

Letter No. 953, dated 18th April 1947, from Chamber to the Department of Industries and Supply, Government of India.

I am directed to refer to the special condition "A" mentioned in the schedule attached to D.G.I. tenders issued in connection with the supplies of iron and steel. One of the items in the schedule requires the tenderer to supply information regarding Agent's remuneration and the percentage rate of landed cost.

My Committee presume that Government desire to have specific information regarding the various charges which make up the total landed cost of the article desired to be supplied to Government. My Committee feel that the Agent's commission should not have been made one of the items for specific information, as it would not be appropriate to reveal the rate of the Agent's commission, it being considered a trade secret. My Committee would be obliged if Government would be pleased to consider favourably the suggestion of the Committee to delete the item of Agent's commission in the Special Condition "A" referred to above.

APPENDIX 62

Questionnaire regarding Development of Rural Handicrafts and Industries in Bombay Province.

Letter No. 138, dated 15th January 1947, from Chamber to the Revenue Department, Government of Bombay.

I am directed by the Committee of this Chamber to acknowledge receipt of your D.O. letter No. 2776|45, dated

the 23rd December 1946 as also the Questionnaire inviting views and suggestions of the Committee in connection with the steps to be taken for the promotion of rural handicrafts and industries and to bring about a balanced economy in the countryside with a view to make villages self-sufficient in respect of essential requirements as far as possible.

The Committee at the outset would like to state that for want of adequate material it may not be possible for them to answer the Questionnaire. They would, however, like to state their views on the broad aspects of the rural economy of our Presidency as far as possible.

(1) Any measures which Government would be inclined to take to rehabilitate the economic conditions of the villagers ought, my Committee feel, to be divided into two parts, viz. means and measures to be taken to improve conditions of the farmer, and means and measures to be taken to improve the conditions of an artisan in the village. The farmer and the artisan in a village are, no doubt, complementary to one another and efforts in the direction to improve the economic position of the people following two different walks of life must be made to bring about a balanced economy and a higher standard of living. The Committee would, therefore, first discuss the question of the conditions of an artisan in the village.

The decay of rural and small-scale industries which used to be subsidiary occupation and a source of revenue to the village population of this country, which forms nearly 80 per cent of the total population of the whole of India, was brought about by the suppression of indigenous industries and the process has been accelerated by the competition of machine-made products of foreign and Indian power-driven industries and by the failure of the State to recognise cottage industries as an integral part of the national economy. The economic conditions of people in villages have, therefore, been deteriorating every day and there is a progressive increase in the unbalanced economy in the village population. Every effort, therefore, must be made by the State to find out the causes and to try to remedy them as far as possible either with State aid or by such other measures as are mentioned below.

The Committee have no statistical or factual data or published records before them from which they can bring to the notice of Government concrete instances of hardships suffered by the village population of the Presidency as a result of both natural and positive disabilities which have been responsible to bring about the sorry plight of these

people. They have, however, reports on the economic and industrial conditions of various districts in the Presidency, which were submitted by various research investigators and published by the Bombay Economic and Industrial Survey Committee appointed in 1938-40. The Committee find from the study of these reports that a large number of small-scale and cottage industries which existed in the village sides of all the various districts in the Presidency, died as a result either of (*i*) foreign competition, (*ii*) lack of cheap and easy money facilities, (*iii*) comparative high transport charges, (*iv*) lack of purchasing power of the village population, (*v*) absence of marketing facilities, (*vi*) dearth of extraordinary and competent technicians, (*vii*) lack of power generating machines, (*viii*) want of raw materials and (*ix*) illiteracy, etc. etc. These are some of the few causes which have led to the decay of village crafts that used to serve in the past as auxiliary means to increase the total income of the village population. Many of us are aware that several Commissions and Committees including Tariff Boards have invariably recorded during the course of their findings that a large number of our cottage and small-scale industries died because of lack of State assistance and the step-motherly attitude shown by Government towards the progress of indigenous industries. The Committee for example find from the perusal of this district reports referred to above that shoe making industry, bangle industry, basket making industry, fire-works industry, household furniture industry, Bidi making industry and many more of a like nature could not thrive or prosper because of want of financial assistance which those industries needed most. Efforts must, therefore, be made by the State to provide financial facilities to re-generate and re-habilitate these industries. Japan, Italy, Germany, Switzerland, Sweden, to name a few countries, give special encouragement to village handicrafts and industries by all possible means and we have had markets flooded before the war with the consumer goods imported from these countries. Soap, chemicals, painting, dyeing and printing, cart making, preparations of German silver utensils, manufacture of clocks and watches, etc. required, as stated in the district reports, expert technical guidance and these crafts promised good progress, but for the lack of technicians they could not make their way satisfactorily. The Committee feel that even now it is not too late to give such assistance as the State can give in this direction. Bobbin, rope and coir industry, *Udbathi*, sand paper, etc. similarly suffered because of foreign competition and higher rates of transport charged for internal movement; cheap power is an essential ingredient for reducing the cost of production. The Presidency has a large number of indus-

tries which require power machinery to work them. Crushing *ghanies*, manufacture of soap, powerloom weaving, etc. require power and efforts must be made to provide them with necessary facilities. Development of poultry farming offers good scope for subsidiary employment to the villagers and encouragement and facilities particular in the matter of transport will enable this industry to thrive. A large number of articles like pottery, earthenware, sandalwood boxes, baskets, flower bouquets, vegetables, etc. do not fetch adequate prices for lack of markets. Efforts must be made to create marketing facilities for those articles which are a source of revenue to many middle and lower class people in the villages. It is very probable that many of the industries which were about to die or were working on a poor margin must have prospered during the war because of the closure of other foreign markets. But the conditions of war prosperity may not last long and before these foreign products make their inroads into Indian markets, Government should be recommended to either support the industry or protect them by State assistance.

It would be found from the above analysis, the Committee feel, that either severally or collectively many of the causes enumerated above were and are responsible, which affected the progress of a large number of small-scale industries in the villages and the Committee suggest that for a comprehensive plan of action Government would be well advised to take district reports as the starting point and the basis for devising ways and means to bring about a balanced economy in the villages and countryside population of this Presidency.

(2) Discussing the economic conditions of a farmer, the Committee feel that difficulties such as cheap money facilities, marketing conditions, cheap transport, etc. have their effects on the well-being of a farmer too. They would particularly like to emphasise the financial difficulties experienced in respect of the development of rural handicrafts and industries. It is recognised that for want of adequate financial facilities, the rural craftsman works under great many handicaps, both for the purchase of raw materials and new equipment. At present the artisan, being so poor and without any tangible assets of his own, is not able to avail himself of the current facilities in the banks or Co-operative Credit Societies. My Committee, therefore, consider that attempts should be made to provide adequate facilities for securing financial help on easy conditions to the village craftsman through an industrial co-operative bank or an institution of allied nature.

Besides these, the farmer has other problems to face. In the absence of irrigation works, the farmer, as has been correctly observed, has to gamble with rain. Sometimes there is heavy rain, or inadequate rain, or rain out of season, which affect the harvest. With a view, therefore, to immune the farmer from the vagaries of monsoon, irrigation works must start immediately. The Committee have noted with satisfaction that Government have made provisions for irrigation works in their post-war plans and they have no doubt that the same will be implemented at an early date. Manure, tractors and such modern means to increase the productive capacity of the farm must be provided to the farmer. The productive capacity of our soil is the lowest in the world. Technical advice to protect the soil from the effects of erosion and such other causes must be made available to the farmer, and above all whether it is the farmer or the artisan, unless he is trained to adjust himself to changing conditions, very little in the direction of improving his conditions can be achieved in the absence of literacy. Spread of education and abolition of literacy are the first requisites for the success of any sound plan. Measures in the direction of adult and primary education must go hand in hand with any plans of rehabilitation if the balanced economy of the countryside is to be achieved and sustained permanently.

My Committee further consider it necessary that with a view to making the villagers evince a direct and personal interest in the programme of development of the handicrafts and industries in the rural area, efforts should be made to organise Village Councils representative of the villagers. Such Councils should be acquainted with the new schemes of development sponsored by the Government and such a step will enable them to be closely associated with and watch the progress of the developmental programme from time to time. It will further enthuse the villagers in the work of developing new crafts and industries and will in course of time, generate a new spirit which is conspicuous by its absence today. My Committee believe that this will substantially supplement the Government-sponsored agencies of propaganda and education and will provide the right type of agency for popularising the use of improved implements and methods amongst the rural craftsmen.

APPENDIX 63

Difficulties experienced in obtaining Suitable Sites for Industrial Purposes.

Letter No. 1944, dated 21st July 1947, from Chamber to the Health and Local Government Department, Government of Bombay.

The attention of my Committee has been drawn to the difficulties at present being experienced in getting suitable sites for industrial purposes. The factory areas in Sewree, Wadala and Sion have all been taken up and according to information placed before my Committee new sites for establishing new industries or putting up new factories are very difficult to obtain. This has naturally led also to a substantial increase in the rates prevailing for such sites as are available.

2. The question of exploring possibilities of using new areas near about the city for industrial and factory purposes, therefore, assumes practical importance, and Government should, in their Post-war Reconstruction Plan, give adequate thought to the above problem. In this connection, it has been pointed out to my Committee that there is a big area of unbuilt and unused land two miles away from Wadala. The place is known as Mahul-Anil Villages and is near to Chembur. At present, however, the use of the above area is prevented because of the absence of facilities of direct access, there being no connecting road to that area. It has been suggested to my Committee that the construction of a two-mile road between Wadala and Pirpoan will connect this area to the city, thereby enabling the sites in that area being used for purposes of putting up factories.

3. I am desired to request Government to examine the feasibility of putting up such a connecting road in connection with their Reconstruction proposals, so as to make the above lands available for industrial purposes.

Letter No. S.23|34837-A, dated 6th January 1948, from the Health and Local Government Department to Chamber.

With reference to your letter No. 1944, dated the 21st July 1947, I am directed to state that the question of reserving sites for industrial purposes in the Greater Bombay region has been taken into account in the Master Plan which is being prepared by the Special Engineer, Bombay Municipality. Until the plan is examined and adopted by the authorities concerned it is not possible to anticipate what areas will

be reserved for industrial development, but it has been ascertained from the Special Engineer, Bombay Municipality, that he proposes to recommend the reservation of the areas of Mahul and Anik in Trombay for residential purposes, in view of the special suitability of these areas for the purpose. In his opinion, if industries were allowed to be located near Mahul and Anik, the entire surrounding area would suffer. He has also pointed out that land round about Mahul may be required in future for the expansion of the harbour.

APPENDIX 64

New Scheme for distribution of Iron and Steel.

Letter No. 185, dated 16th January 1947, from Chamber to the Department of Industries and Supplies, Government of India.

I am directed by the Committee of the Indian Merchants' Chamber to address Government on the question of the scheme for the distribution of iron and steel announced at the end of November last. In this connection, my Committee have received representations from the Iron and Steel trade as also the consuming interests pointing out how, in actual practice, the scheme is likely to lead to practical difficulties and accentuate the existing position regarding non-availability of iron and steel for the various classes of consumers.

Government have estimated that the total production of iron and steel in the country for the year would amount to 900,000 tons. They also expect imports to the extent of 1,50,000 tons. On the above basis of supply, Government have allocated quotas for distribution for various classes of users such as Railways, industrial maintenance and packing, steel processing industries, Government development schemes, private industrial development schemes and for the general public including manufacturers of consumer goods.

In the first place, my Committee would like to point out that the total quantities set apart for distribution to the ordinary consumers through all the Provincial Governments are only 2½ lakhs of tons, while the quantity reserved for distribution to consumers in bulk such as Railways, industrial maintenance, etc. through the Central Government, amounts to 7½ lakhs of tons. Government cannot be unaware of the fact that there is already acute scarcity experienced in regard to supplies of steel for the diverse day-to-day purposes and for the manufacture of consumer goods for which there is already a large deferred demand. It is of the utmost importance that the requirements in this connection should be

given greater consideration and proper arrangements made to see that supplies of iron and steel for such day-to-day purposes are sufficient to satisfy the minimum requirements. The present allotment of 2½ lakhs of tons for distribution in all the provinces is, to say the least, quite insufficient and more so, when account is taken of the fact that there has been a dearth in the markets of the ordinary articles of iron and steel in use by the common man. My Committee, therefore, wish to emphasise that the Government of India should review the entire position and increase the allotment for the general consumers.

The scheme as adumbrated envisages that the control over allocation and distribution so far as the main types of bulk consumers such as railways, industries, governmental requirements, etc. are concerned, will be mainly exercised by the Government of India. There is a strong feeling that, whatever might have been the justification of such a control on an all-India basis by the Central Government during the period of the war, in keeping with the altered circumstances, it is necessary to bring about a general change in the scope of this control. Even if Government decide that allocations should be made on an All-India basis for distribution to the various types of large-scale consumers, after earmarking separate quantities for each class of consumer, the actual allocation to individual applicants should be entrusted to the respective Provincial Governments. Instead of the Central Government attempting the allocation and distribution themselves to such bulk consumers, the same should be left to the respective Provincial Governments so far as the consumers in the different provinces are concerned. The demand in a particular province for the various classes of consumers should be scrutinised and checked up by the Provincial Government and the responsibility for allocation and distribution to the units within the province should rest with the Government of that Province. In short, the Central Government's function, so far as this control is concerned, should be confined to the problem of a general measure of co-ordination for the purpose of pooling the entire resources and for allocating them equitably as between the different classes of users. The administrative and supervisory work connected with the control should shift from the Centre to the Provinces, as the Provincial Governments, with their more direct and intimate touch with the users, will be in a better position to assess the exact needs and requirements with reference to each such province.

In order that the control may be adjusted to the practical requirements of the situation, it is also necessary to arrange that in each provincial centre an *ad hoc* Advisory Committee

is constituted composed of representatives of trade, consuming and other interests. With the assistance of such a Committee, Government will be able to administer the control in a manner which takes full account of the various needs and requirements.

My Committee would, in this connection, like to emphasise their view that while Government may reserve to themselves the function of allocation of the available supplies as between the different types of consumers and the allotment of quotas, the actual process of distribution should be carried through the normal trade channels. After the quotas are allotted by the Provincial Government, in consultation with the Central Government, the further stages connected with the moving of the supply from the source to the ultimate consuming end, should, at all events, be entrusted to and handled by the normal and traditional channels of trade. My Committee attach great importance to this aspect and they would like to see that the control is so adjusted as to interfere as little as possible with the functioning of the normal trade machinery and channel.

My Committee would like to stress the importance of efforts to increase the production of steel in the country. The projected plans in regard to industrial development and increased housing accommodation particularly in the urban areas, will naturally increase substantially the overall demand for iron and steel. There is a feeling that the existing difficulties in regard to getting supplies of iron and steel are circumscribing the scope and activities in this direction and Government should take all possible steps which would result in accelerating and increasing the production of iron and steel. Similarly, energetic efforts should be made to get larger imported supplies. My Committee realise that there is a pressing demand from all directions for the surplus supplies available in the manufacturing countries, but India's claim should be pressed and till such time as the country is in a position to step up its own production, assistance from imported sources to a larger extent, will relieve the situation materially.

My Committee hope that the Government of India will be pleased to give the above views and suggestions their earnest consideration and to modify their scheme of control accordingly.

APPENDIX 65

Allotment of Steel for Civilian Consumption under the Iron and Steel Control.

Telegram dated 1st April 1947, from Chamber to the Department of Industries and Supplies, Government of India.

The attention of Committee of Indian Merchants' Chamber has been drawn to notification issued by Government as published in Indian Trade Journal dated 20th March, prescribing procedure for import of iron and steel. In terms thereof import licences will be issued freely to genuine consumers who obtain firm orders and give an undertaking not to resell. Further licences will be given to accredited Agents of Foreign manufacturers who receive definite offers, the supplies so imported being either acquired by Government or offered to consumers and manufacturers' agents direct. In respect of persons other than consumers and Manufacturers' Agents who have offers of supply licences will be issued if they make arrangements to have offers taken up in the name of consumers. While Committee appreciate decision of Government to allow imports of iron and steel freely directly by consumers, they would at same time like to point out that simultaneously it is also necessary to arrange that licences should be freely granted to established trade interests importing iron and steel. It will be realised that consumers in many cases will not be in a position to negotiate and arrange for supplies as they are not in active and direct contact with supply position and may not have previous connection with either foreign manufacturing or exporting interests. Moreover, the case of small consumers who require supplies of iron and steel in comparatively smaller quantities has also to be taken into account. Such consumers obviously cannot arrange to import directly. Their needs will have to be met through the traditional trade channels. Foreign offers, Committee understand, are generally for whole lots. A consumer may not require all the items in a lot; only stockists will be able to accept offers in lots. In order that the procedure for importation may obviate above difficulties and meet practical requirements of situation Committee submit that Government should also agree to give licences freely to import on their own account to persons who are accredited agents of Manufacturers and established importers. The need of the moment is that country should have increased supplies of iron and steel and there is no justification for undue rigidity in matter of granting licences. If Government's purpose in controlling imports is to ensure utilisation of such supplies as may come for purposes of an essential character Government may regulate the distribution by arranging that all imported supplies

should be allotted only for purposes or parties specifically authorised by Government. Committee further suggest that arrangements be made for issuing licences in all Port centres in order to expedite acceptance of offers as otherwise in existing position of scramble for supplies in world markets delay in applying and securing licences from Calcutta may militate against completion of transactions in time. Committee request that Government will be pleased to re-examine the matter and arrange that along with consumers, manufacturers' representatives and importers of iron and steel are also allowed to import iron and steel freely.

Letter No. 2586, dated 22nd September 1947, from Chamber to the Ministry of Industry and Supply, Government of India.

During the course of the year, the Committee of my Chamber had occasion to address Government more than once on the question of the scheme of distribution of iron and steel for civilian consumption. Among other things they had stressed the need for efforts for improving the overall supply position for intensifying efforts for increased import assistance and for rationalising the method of distribution in such a manner as would meet the practical requirements of the different types of consumers and towards that end to evolve a scheme of distribution in consultation with representatives of trade, consuming and other interests. Unfortunately, Government do not seem to have taken any action on those lines. My Committee had particularly suggested the appointment of an *ad hoc* Advisory Committee charged with the task of revising the control arrangement as to adapt it to the practical requirements of the situation at present obtaining.

Further, in a telegram addressed to the Government of India on 1st April 1947 my Committee had pointed out the defects and drawbacks of the existing procedure for import of iron and steel. Under the procedure, import licences will be granted freely only to direct consumers who obtained firm orders and gave an undertaking not to resell. While the decision of Government to allow consumers to arrange for direct imports was welcome, it was, at the same time pointed out that unless simultaneously licences were granted to established trade interests also for importing iron and steel, practical difficulties would be experienced in procuring imported supplies for the growing requirements of the country. Consumers, in many cases, may not be in a position to negotiate and arrange for supplies, being not in active and direct contact with supply position and not having the necessary previous connections with foreign manufacturing and export-

ing houses. Again, consumers who may be interested in small lots may not be able to evoke the necessary response from foreign suppliers because such suppliers would naturally find it more advantageous to deal with orders and requirements representing substantial quantities. After giving due thought to the above considerations, the Committee of my Chamber had strongly recommended that the existing import policy and procedure needed revision.

Unfortunately, this aspect has also not received the attention of Government. In the meanwhile, the supply position has continuously deteriorated and, at the moment, is causing a feeling of uncertainty and suspense in the minds of the consuming interests, particularly consumers of the class of organized industries engaged in the processing of iron and steel. It will be readily agreed that increased import assistance is the only source from which relief can be expected immediately and it is, therefore, of paramount importance that Government should spare no efforts for making such imports possible and towards that revise the existing import control procedure and policy. All those who are in a position to secure imported supplies of steel from whatever source, whether they be importers, merchants or consumers, should be encouraged to do so and every assistance given to them in the matter.

My Committee would, in this connection, like particularly to refer to the reported decision as announced in the press to the effect that no quotas of steel would be given to any industry for period IV of 1947. The total denial of supplies of an essential material like iron and steel will mean the disorganization of manufacturing activities in many industries. In the case of industries processing and fabricating steel, the step would amount to a practical stoppage of the manufacturing activities in question. Such an eventuality has certainly to be avoided and even with due regard to the existing supply position, some scheme of distribution should be worked out which would ensure a *pro rata* allotment of supplies for all types of consumers. The fabricating industry should be allotted supplies on a *pro rata* basis for period IV of 1947 and should not be starved completely of supplies of steel.

While on this, my Committee would like to bring to the notice of Government the feeling that the process of disposal of surplus supplies available with Government Disposals Organizations is very slow. It would appear, according to reports, that substantial quantities of steel are available for disposal under this category and if the process is expedited there would be some tangible relief in the existing supply position and the steel, now more or less lying in cold storage,

will go round meeting the essential needs and assisting the continuance of manufacturing activities even if on a restricted basis. Therefore, this aspect of the matter may also be looked into.

My Committee request that Government will be pleased to review the problem in its entirety and concentrate on efforts for securing increased supplies of steel from all possible sources and for arranging for their distribution among all types of consumers in a fair and equitable manner.

Letter No. I(I)-1(297), dated 21st November 1947, from the Ministry of Industry and Supply to Chamber.

I am directed to refer to your letter 2586, dated 22nd September 1947 on the above subject, and to offer the following remarks on the various points raised therein:

(*a*) *Import Assistance*: The Government of India are satisfied that the present system of granting licences only to consumers is the best under the prevailing circumstances. The price of imported steel being generally higher, free import of steel by importers would completely destroy the internal price control system as imported steel cannot usually be distinguished from indigenous steel. The argument that only established importers have foreign contacts is admitted, but it is hoped that they would willingly pass such offers on to the genuine consumers at reasonable commission in the interest of the country as a whole. If licences are, on the other hand, freely issued to importers, the consumers will be absolutely at the mercy of the importers. I am, however, to add that so far as Government are aware, paucity of imports is entirely due to world shortage of this commodity and not due to inadequacy of facilities provided by Government. The Government of India are in fact making strenuous efforts to explore all possibilities of increasing supplies through imports even on Government account.

(*b*) Ad Hoc *Advisory Committee*: It may be stated that operation of the Iron and Steel Control is conducted in close consultation with the Iron and Steel Control Board which meets every month and which is constituted as follows:

Chairman: Iron and Steel Controller

Members: Representative of—

Tatas
Steel Corporation of Bengal
Mysore Iron & Steel Works
Rerolling Mills Association of India
Steel Fabricators (Indian Engineering Association)
Steel Fabricators (Engineering Association of India)

Secretary : An Officer of the Iron & Steel Control organization nominated by the Iron & Steel Controller.

(c) *Allocations in period IV|47* : It was expected in the beginning of this year that the estimated steel supplies from indigenous production and imports which would be available for distribution during the year would be in the neighbourhood of 1,050,000 tons, and for the first three quarters of the year allotments to the various consumers were made on this basis. Steel production, however, did not come up to expectations, owing mainly to labour troubles during the earlier parts of the year, shortage of coal and difficulties in transport; while imports also have been difficult to obtain. A temporary shortage has, therefore, arisen due to quota certificates already issued on the basis of a higher estimate of availability, having nearly absorbed steel production for more than 6 months ahead and it has, therefore, not been possible to make allotments to the various consumers for the last quarter of the year to the same extent as in the earlier quarters. An amount of 96,000 tons has, however, been distributed to the various types of consumers in period IV|47.

(d) *Disposal of surpluses* : The Government of India are fully alive to the need for very quick disposal of iron and steel lying in 'surplus depots' in order to alleviate shortage and are doing their best to distribute them to the consumers as early as possible.

APPENDIX 66

Difficulties of the Indigenous Cotton Rope Industry.

Letter No. 3060, dated 6th November 1947, from Chamber to the Ministry of Commerce, Government of India.

Inclusion of item re : Import of ropes under Open General Licence.

The attention of my Committee has been drawn to the inclusion of import of ropes from abroad under Open General Licence. My Committee feel that such a step on the part of Government will prove detrimental to the development of indigenous rope manufacturing industry which has to its credit good performance during the war emergency. It is obvious that by including the item in the Open General Licence Government wish to allow free imports of ropes. Before the war the country depended almost entirely for supplies of ropes on the U.K. But during the war, however, such imports were at one stage completely stopped and the country had to depend for its requirements of ropes on the indigenous industry. The industry thereafter, with the encouragement and support of

Government as also of consumers made rapid progress upto a point when it was in a position almost entirely to meet the needs of the country. Under the above circumstances, my Committee feel that the allowance of free imports of ropes into the country would definitely hinder the progress of the industry and nullify the good progress achieved in the past years. My Committee suggest that Government should reconsider the case of such imports under Open General Licence and make them subject to licence.

My Committee would like to bring to the attention of Government another handicap from which the industry is suffering. The industry naturally depends for its manufacturing activities on adequate supply of yarn. Recently, however, Government have curtailed their quota of yarn which it was previously getting. As a result the industry is compelled to curtail its manufacturing activities. My Committee suggest that Government should actively help the industry by procuring for it spinning plants from abroad to enable it to manufacture its requirements. If Government implement the above suggestion, they will be premanently solving the question of shortage of yarn so far as the rope industry is concerned.

Letter No. 3061, dated 6th November 1947, from Chamber to The Textile Commissioner

Re :—1. **Insufficient quota of yarn allotted for cotton rope manufacturing industry.**

Re :—2. **Import of spinning plants to meet the needs of the rope manufacturing industry.**

I am directed to draw your attention to the recent reduction in the quota of yarn supplied to cotton rope manufacturers. During the war emergency, Government gave every facility to this industry to develop and also provided sufficient yarn for their manufacturing activities. As a result, the industry was given an opportunity to supply the needs of the textile industry as also of other industries at a time when rope imports had almost ceased. During that period the industry had sufficiently expanded and even made rapid progress in quality of the manufactures. The industry is, however, faced today with the problem of securing sufficient yarn to continue its manufacturing activities on the past basis. It is not comprehensible as to the reasons which compelled Government to reduce the quota of yarn. It is also not clear as to why Government should have allowed free imports of ropes by including the item in the Open General Licence. My Committee, after having examined the case of the industry *vis-a-vis* its requirements, feel that it would be up to Govern-

ment to maintain their policy of encouraging the indigenous industry and give every help to develop and expand its activities. My Committee urge that the manufacturers of rope may be taken into the confidence of Government and in consultation with them Government may make every effort to see that their manufacturing activities are not curtailed by inadequate allotment of yarn quota. They further suggest that with a view to smoothen their present difficulties and aid them in their further expansion, Government should take active steps in procuring for the industry spinning plants from abroad to enable the industry to produce the required yarn. If the above suggestion is implemented Government would be permanently solving the question of supplies of yarn for the manufacture of ropes.

My Committee request that you will be good enough to recommend to Government that the industry be given assistance in regard to procurement of spinning plants to overcome its present difficulties.

APPENDIX 67

Allocation of Timber to Bobbin Manufacturers.

Letter No. 645, dated 14th March 1947, from Chamber to The Textile Commissioner

The Metro Wood Works, Ltd., Kalol, a member-company of this Chamber, have forwarded to my Committee a copy of their representation addressed to you, dated the 1st March 1947, in the matter of supplies of wood for manufacture of bobbins. It would appear that recently a Conference of manufacturers of bobbins and allied materials was held when questions relating to the policy in the matter of distribution of timber for the requirements of such manufacturing processes was discussed. According to the information furnished by the company, it would further appear that it was the view of the Government of Bombay that supplies of wood from the Provincial resources should be confined to factories situated within the province and that factories in Indian States should not be entitled to any allocation from such resources. If the decision is enforced, it would mean that factories situated in Indian States territories contiguous to this Presidency will not be entitled to any supply of timber from this province. In this connection, it is relevant to point out that the products of many of the factories in such Indian States, viz: finished bobbins and other similar materials are being used and sold to a large extent to the mills situated in this province. The proposed restriction on distribution has not taken into account this aspect of the matter. If the

manufacturing capacity of the factories in Indian States territory is rendered idle by the enforcement of any such restrictive policy, the natural consequence would be that, apart from the factories being put to serious loss and difficulties, the output available from those sources for use in industry in the Presidency will also be curtailed.

Moreover, for the purpose of the administration of the controls on cloth and yarn and various other controls incidental thereto, the general practice adopted in the past was to treat the geographical India as one unit and to include the needs and requirements of Indian States territory also in the various arrangements proposed in connection therewith. My Committee, therefore, request that you will be good enough to give the above matter your early and sympathetic consideration and see that the factories situated in Indian States territory, receive the same consideration in the arrangements proposed for the allocation of timber.

APPENDIX 68

Fixation of Prices for Cotton Seeds.

Letter No. 740, dated 27th March 1947, from Chamber to the Director of Civil Supplies, Government of Bombay

My Committee have received representations from the merchants in Dhulia dealing in *Kapas* and cotton seeds and also from cotton merchants and gin owners in East Khandesh complaining about the difficulties caused to them by the policy and procedure adopted by Government in the matter of fixation of prices for cotton seeds in the East and West Khandesh districts. The facts relating to the steps and action taken by Government which form the subject-matter of the complaint may be briefly stated.

The cotton seeds season begins generally in the middle of November. As at that time there was no control over prices of seeds, merchants had acquired supplies of seeds at the prices prevailing in the market. The District authorities, it appears, subsequently issued orders to the gin owners and merchants restraining them from removing supplies of cotton seeds except with official permission. In effect, the supplies were thus frozen. The merchants and gin owners, in view of the difficulties experienced by them on account of lack of adequate godown accommodation, and having regard to the risk of deterioration by indefinite storage, approached the authorities concerned for expediting orders and instructions for the disposal of stocks. The District authorities gave instructions for the supplies being delivered to approved parties who were nominees of Government at a provisional rate of

Rs. 4-12 per Bengal maund, it being understood that, as soon as Government fixed prices for cotton seed, the difference between the control price and the provisional price would be made good. In fact, it appears, the Mamlatdar of the Districts concerned had given written instructions to individual merchants who had stocks to the above effect, directing them to deliver the supplies to specified parties and accept payment at the provisional rate. The said instructions also made a reference to Government's intention to fix prices and when rates were so fixed, the merchants would be entitled to the difference.

Subsequently, early in February Government fixed the cotton seed price at Rs. 6-12 per Bengal maund. The merchants, however, were not paid the difference. The District authorities, it appears, first put them off on the ground that Government intended to allow the benefit of the difference to the cotton growers concerned. Subsequently, when such a procedure was not found feasible, Government were understood to have resorted to the extraordinary step of reducing again the control rate for cotton seeds to Rs. 4-12 per Bengal maund, and on the basis of that rate, to hold that the merchants concerned were not entitled to the benefit of any difference.

In the meanwhile, when in February the rates were officially fixed at Rs. 6-12, the interests concerned, in the belief that the said rates would prevail for the whole season, calculated the purchase price of *Kapas* based on a price of Rs. 6-12 for cotton seeds. After having once fixed the control price at Rs. 6-12 it is indeed an act of injustice to the merchants concerned who have acquired supplies at prices based on the control rate, to be immediately confronted with the position of a further reduction in the official rate. It will be easily appreciated that there must be some definiteness and continuity in regard to the control and the rate fixed for that purpose. My Committee have thought it proper to bring the above to your notice with a request that Government will be pleased to review the position and to see that the steps taken by Government for bringing about the control on prices of cotton seed do not involve injustice to *bona fide* trade interests. They would, in particular, like to make the following suggestion for the consideration of Government :—

Firstly, the control rate should be announced well in advance of the season so that the merchants and gin owners will have adequate notice of the same and will be enabled to adjust their commitments in terms thereof.

The control rate should not be subject to frequent and periodical changes as above referred to. The rate once fixed should prevail for the whole season.

In respect of the particular transactions in East Khandesh referred to in the complaint above, the parties who were paid at the provisional rate are reasonably entitled to the difference between that rate and the control rate of Rs. 6-12 fixed early in February. After the purchases were made from them, the first control rate officially fixed was Rs. 6-12 and so far as those transactions are concerned, the said rate should operate and the subsequent reduction to Rs. 4-12 should not in any way prejudice their claim for being paid the difference in rates as originally agreed upon when payment at the provisional rate was made.

So far as West Khandesh is concerned, Government should agree to purchase the cotton seeds, acquired by merchants during the period when the price of Rs. 6-12 prevailed, at that rate.

My Committee are advised that Government will not have any serious difficulty in accepting the suggestions contained particularly in the two preceding paragraphs, as in some of the other districts in the province, the prevailing rate for cotton seeds is at present Rs. 6-12. It will be readily agreed that a wide disparity in the prices as between the different districts within the same province goes to indicate that some measure of re-adjustment is necessary. Government will, therefore, be only meeting out justice to the merchants concerned by reviewing the whole position and revising the rates in the two districts as suggested herein.

Letter No. MC|CF 119|2569-E, from the Milk Commissioner, to Chamber

I am directed to refer to your letter No. 740 dated 27th March 1947 on the subject mentioned above, addressed to the Director of Civil Supplies, Bombay, and to state as under :

Before the revised prices of cottonseed were communicated to the District Magistrates in January 1947, the cultivators of East Khandesh and West Khandesh districts had already sold most of their *kapas* at rates based on last year's cottonseed rates. As it was not practicable to recover from the wholesale agencies the difference between the original cottonseed rate (of 1946) and the revised increased rate and to arrange for its payment back to the cultivators who had sold their cottonseed at the old rate, and as it was not desired that the cultivators should suffer loss due to the increase in rates, Government decided to restore last year's rates for cottonseed in East Khandesh and West Khandesh districts.

Since the merchants had purchased *kapas* from the cultivators taking into account last year's prices for cotton seed the former do not stand to lose anything by selling the seed

at the old prices. The enhanced cotton seed rates were communicated to the District Magistrates at the end of January 1947, while the orders restoring last year's rates were issued in March 1947. Very little *kapas* could have been sold in East Khandesh and West Khandesh districts during the intervening period as the cotton season in these districts starts early in November and the cultivators sell most of their raw cotton before February. The rate of cotton could not have increased immediately the rates of cottonseed were increased, as there are many other factors which influence the price of raw cotton. You will also agree that it is not practicable to recover excess cost from producers who might have sold *kapas* to a few merchants at higher rates in order to reimburse it to the latter.

Government have considered the case carefully and do not think it necessary to revise again the prices of cotton seed fixed in East and West Khandesh districts.

APPENDIX 69

New Scales of Licence Fees and Town Duties.

Letter No. 1775, dated 8th July 1947, from Chamber to the Municipal Commissioner for the City of Bombay

I am directed by the Committee of the Indian Merchants' Chamber to address you in regard to the new scales of licence fees and town duties that have been recently introduced by the Municipality in the City of Bombay.

My Committee would point out at the outset that whenever it is proposed to impose new levies on the commercial community or to increase the existing ones, it is desirable always to give them an opportunity to examine the proposal with a view to its possible repercussions on their activities, especially in these abnormal times, when the business community have been already subjected to very heavy taxation by various Authorities and there is little scope for its further increase. My Committee, therefore, regret that the Municipal Authorities did not think it fit to consult the commercial community in the City before enhancing the licence fees and the town duties.

Under the new schedule of licence fees that has come into force with effect from 1st April 1947, the scales of licence fees that were in force prior to that date have been doubled with exceptions; and secondly the new schedule levies an additional fee, over and above the maximum fee, on all quantities exceeding the specified maximum limit, at a rate based on every specified additional quantity above the maximum.

For instance, there is an additional licence fee of Rs. 10 for every 50 cwts. or under, exceeding 100 cwts. of copra, for every 50 gals. or under, exceeding 2,000 gals. of methylated spirit and for every 3 cwts. or under, exceeding 6 cwts. of sulphur, over and above the maximum fees fixed for the respective commodities. This additional levy is of a far-reaching character, as will be apparent from a few illustrations. The licence fee, for instance, for 5,000 cwts. of copra would be Rs. 1,080 under the new schedule, as against Rs. 50 under the old. Similarly, the licence fee for 25,000 gals. of methylated spirit would amount to Rs. 660 according to the new scales, whereas according to the old scale, it was only Rs. 100. Likewise, the new licence fee for 50 cwts. of sulphur according to the new schedule would be Rs. 210 as compared with Rs. 30 under the previous schedule. These illustrations will suffice to show the extent of additional burden, which the business community in the City will be subjected to, by the new schedule of licence fees.

The sort of additional fee, over and above the maximum fee that is prescribed in the new schedule of licence fees, will, to say the least, affect the trading community of the City most adversely. My Committee, therefore, urge upon the Municipal Authorities to revise the present scales of licence fees with a view to withdrawing the additional fee that is charged, over and above the maximum fee.

Coming now to the town duties, these have been increased with effect from 1st June 1947 in a twofold way. Firstly, the town duties that were in force prior to that date have been raised and secondly a few fresh items like charcoal, tea, coal, dates, cement, iron and steel, paper and tinned provisions, have been added to the schedule of town duties. The rate of the town duty on tinned provisions like butter, fruits, fish, cheese, whole milk powder, skimmed milk powder, pickles, cocoa and chocolates, etc. is 6¼ per cent *ad valorem*. This rate, my Committee feel, is rather high and will result in the increase in prices of tinned provisions, which are already very high.

There is another difficulty which will be caused to the businessmen in the City by the levy of town duty on tinned provisions. My Committee are informed that large quantities of tinned provisions imported by local dealers from outside the City are resold to upcountry dealers and customers in split-up lots. They are further informed that it would be an irksome task for the dealers to maintain statistics of all the quantities of goods that are despatched to upcountry centres in split-up lots for purposes of claiming refund of town duties paid thereon. Under the circumstances, the

local merchants will either have to pay the town duty from their own pockets or shift the same on to the buyers in up-country centres. The latter alternative is, however, not feasible in view of the competition from other centres like Karachi, Madras and Calcutta in the up-country markets. My Committee, therefore, think it advisable that town duty on tinned provisions should be removed. If, however, the Municipality cannot see their way to altogether abolish the same, at least the present high rate of 6¼ per cent *ad valorem* on tinned provisions should be substantially reduced.

In conclusion, my Committee hope that the Municipality of Bombay, will give their early consideration to the matter and revise the schedules of licence fees and town duties in the light of their above observations.

APPENDIX 70

Levy of Town Duty in respect of Products of Factories situated within Greater Bombay Area and brought into the City for Internal Distribution.

Letter No. 1833, dated 10th July 1947, from Chamber to the Municipal Commissioner for the City of Bombay.

Under Section 192 of the Bombay Municipal Act, 1888, the Municipal Corporation is entitled to levy Town Duties on the several articles mentioned in Schedule H of the Act at rates as may be determined, from time to time, by the Corporation when the said articles are imported from any place into the City. When the Municipal Act was framed and passed, the authorities and the Legislature possibly had not foreseen the developments that would take place in the matter of encouraging the expansion of industrial undertakings in areas a little removed from the city limits. The condition "import" which would make the article in question liable to tax was perhaps never construed to mean the transfer of the article in question from nearby areas to city limits for purposes of consumption. However, the position has to be reviewed in the light of the subsequent developments. Government have themselves found it necessary to evolve a Greater Bombay scheme. In order to eliminate concentration of industrial activities and with a view to prevent conditions of congestion in the city, it is now a recognised policy to encourage the establishment of new factories in the outskirts which may not be strictly within the Municipal limits, but which all the same are within Greater Bombay as generally understood by the public and the commercial interests. The practice of levying Town Duty on products of factories so situated, when such products are brought into the City

limits for storage and distribution in the City, will have an adverse effect on the above process of developing Bombay. My Committee, therefore, submit that the word "importation" should not be construed in such a manner as to make the articles which are produced within Greater Bombay limits and brought into the City for storage and distribution liable to the levy.

2. One such instance has recently been brought to the notice of my Committee. From 1st June 1947 the Municipality decided to levy a Town Duty on tinned provisions at the rate of 6¼ per cent *ad valorem*. There are biscuit and confectionery manufacturing undertakings both within City limits and outside the City limits, but within Greater Bombay area. In the case of the products of the former, there will be no Town Duty. In the case of the products of the latter, however, when such products are brought into the City for being stored for purposes of subsequent distribution, the Town Duty will be charged if it is sought to be suggested that the process of bringing these stocks from the factory into the City meant "import" for purposes of the above provision in the Act. Such a position, it will be readily agreed, will be unfair and inequitable. My Committee request that the Municipal Corporation will be good enough to consider the above matter, and as a matter of general policy, lay down that the products of factories situated within the Greater Bombay limits, when brought into the Municipal limits for purposes of storage and distribution, shall not be liable to Town Duty. As the question has a direct bearing on the success of the scheme for encouraging industrial expansion outside the City limits, the issue should not be looked at from a merely legalistic angle, but should be examined and decided on the broader considerations refered to above by my Committee.

Letter No. B.4104 of 1947-1948, dated 11th August, 1947, from the Municipal Commissioner to Chamber.

Under the provisions of the City of Bombay Municipal Act, 1888, as amended up-to-date, a town duty at the rate of 6¼ per cent *ad valorem* is leviable on the articles mentioned by you when they are imported from any place into the City as defined in Section 3(*a*) of the Act is the City of Bombay and not the City of Greater Bombay. As the provisions of the Act are mandatory in character, I regret I am unable to comply with your request for exempting the products of the suburban factories from the levy of town duty. However, in order to give relief to such products, the question of reducing the rate of town duty for the year 1948-49 will be carefully considered.

Letter No. 2346, dated 28th August 1947, from Chamber to the Department of Local Self-Government, Government of Bombay.

Under Section 192 of the Bombay Municipal Act, the Municipal Corporation is entitled to levy Town Duties on several articles mentioned in Schedule H to that Act at rates as may be determined from time to time by the Corporation. My Committee had drawn the attention of the Municipal Commissioner for the City of Bombay to the anomalous position resulting from a strict application of the above provision in so far as products of factories situated in Greater Bombay are concerned, when such products are brought within the city limits for internal distribution. On the one hand, Government are themselves anxious to prevent concentration of industries within the present city limits, and they are encouraging efforts for diverting such activities to places within the Greater Bombay area. The progress of such efforts would be considerably handicapped if, as a result of the strict application of the provisions of the existing Municipal Law, the products of Factories outside the City limits, but within the Greater Bombay area, are treated as foreign and " imported " for purposes of the levy of the Town Duty. I am desired to forward herewith copies of the correspondence exchanged between my Committee and the Municipal Commissioner on the subject.

2. The Municipal Commissioner in his reply has pointed out that under Section 3(*a*) of the Municipal Act, the city of Bombay could not be deemed to cover Greater Bombay and as the provisions of the Act are mandatory in character, it would not be possible for the Municipal administration to waive recovery of Town Duty charges for goods " imported " into the City limits from the Greater Bombay area. Government will have no difficulty in appreciating that the above position would lead to anomalous results and would prove to be a setback to the progress of the Greater Bombay movement. My Committee realize that the position would in due course be corrected when the necessary legislation for implementing the Greater Bombay scheme in its entirety is undertaken. They would, however, point out that pending such legislation, there is an irresistible case for some sort of interim arrangement whereby a measure of relief would be afforded to the products of industries located within the Greater Bombay area when they are brought into the City limits proper.

3. Government will be good enough to give this aspect of the matter their early consideration and take suitable steps by which the hardship referred to above would be eliminated.

Letter No. S.108|991A, dated 2nd March 1948, from the Health and Local Government Department to Chamber.

With reference to your letter No. 2346, dated the 28th August 1947, regarding the levy by the Bombay Municipality of town duties on the products of factories situated in Greater Bombay, I am directed to state that Government does not consider it feasible to give any special relief to the products of suburban factories in view of the discrimination that would be involved between such factories and those situated in other parts of the country.

APPENDIX 71

Levy of Octroi Duty on Electricity by the Thana Municipality.

Letter No. 1834, dated 10th July 1947, from Chamber to the Chief Officer, Borough Municipality, Thana.

The Raymond Woollen Mills, Ltd., Bombay, have drawn the attention of my Committee to the announcement contained in the notice issued by the Thana Borough Municipality dated 30th April 1947, proposing to levy an Octroi Duty on electricity consumed in Thana for domestic and commercial purposes. The Bombay Borough Municipal Act empowers the Municipality to impose an octroi duty on animals and goods brought into the limits of the Municipality. It has been pointed out to my Committee that the general description "goods" referred to above cannot be deemed to cover electricity and as such, it is a moot point whether under the existing powers the Municipality is entitled to levy such a duty on electricity. Moreover, under the existing arrangements about distribution of tax resources, it would appear that tax on electricity is a source reserved to be used for purposes of provincial revenues. On that basis also the company point out that the Municipality would not be justified in imposing this new levy. Apart from the above objections from the legal and constitutional standpoints, my Committee would like to place for the serious consideration of the municipal authorities, the inappropriateness of imposing a tax on the use of electricity in the above manner. Electricity is consumed either for domestic purposes or for commercial or industrial purposes. In both the cases, the use is for the economic advancement of the community as a whole. Industrial concerns in Bombay are exempt from payment of a similar duty on electrical energy. Consequently, mills located in Thana would be placed in a position of disadvantage in comparison with those located in Bombay, inasmuch as the former will have to bear the additional burden of this duty. It is the duty of the municipality, in the interest of encouraging industrial and commercial activities in that area,

to avoid, as far as possible, burdens of a regressive nature, particularly where such burdens result in industrial and commercial activities in that area being placed in a position of disadvantage in competing with similar undertakings placed in nearby areas outside the municipal limits. Having regard to the foregoing considerations, my Committee submit that the Thana Municipal Borough will be good enough to reconsider the whole matter and abandon the proposal for levying the new duty.

APPENDIX 72

Town Duty on Plywood Products.

Letter No. 2603, dated 24th September 1947, from Chamber to the Commissioner, Bombay Municipality, Bombay.

I am directed by my Committee to address you in regard to the levy of town duty on plywood products. Such town duty on different articles is variously assessed. On some articles, it is assessed on a quantitative basis, while in regard to tinned provisions it is assessed at 6¼ per cent *ad valorem*. On plywood products, however, the town duty is collected at the rate of 3 per cent of the market value of the article. The market value is ascertained on the basis of F.O.R. Bombay cost plus 20 per cent and the duty is assessed on the total value arrived thereat. Generally, the articles, which are subjected to such town duties, are meant for sale in the markets.

Messrs. Kamdar Ltd., a member firm of this Chamber, has represented to my Committee that, as the plywood products imported by them into Bombay City are not sold in the market but are being used by them in the manufacture of furniture, the town duty should be levied only on the F.O.R. Bombay value of the goods. They maintain that the additional town duty levied on the 20 per cent of the cost of the plywood products should be made refundable to them. My Committee have examined the point made out by Messrs. Kamdar Ltd. and they feel that, as such products imported by the Company into Bombay City are being used in the manufacture of furniture, the town duty levied on the 20 per cent of the total cost may be made refundable in such cases. My Committee urge that you will be pleased to examine the above request of Messrs. Kamdar Ltd. and give due relief to them as desired.

Letter No. M.4802 of 1947-1948, dated 6th November 1947, from the Municipal Commissioner to Chamber.

Reference your letter No. 2603 dated 24-9-1947. Under the provisions of the City of Bombay Municipal Act, 1888,

as amended up-to-date, town duty on plywood is leviable at the rate of 3 per cent of its *Market value* and not of its Bombay landing cost. The purposes for which plywood is imported are immaterial for determining the levy of town duty under the Municipal Act. Apart from the legal position, it is reasonable to presume that Messrs. Kamdar Ltd. may be making a profit on the sale of the furniture in which their plywood is used if not on the plywood itself. In the circumstances, the question of refund of town duty does not arise.

I may add for your information that the market value of plywood is usually worked out by adding to the Bombay landing cost a margin of profit varying from 5 per cent to 20 per cent according to the fluctuation of the market the latter percentage having been allowed by Government.

APPENDIX 73

Appointment of Advisory Councils and Committees in connection with the Import Trade Control.

Letter No. 2463, dated 10th September 1947, from Chamber to the Chief Controller of Imports, New Delhi.

You will, no doubt, recollect that when you were good enough to meet the Committee of the Indian Merchants' Chamber on 28th July last for discussing matters relating to the recent change in the Import Trade Control Policy and procedure, a suggestion was made by the Committee that Government should set up some machinery for examining difficulties of a practical nature that might arise in the administration of the new Control scheme and that Advisory Committees might well be constituted at Port centres to advise the Import Trade Controllers in respect of specific cases of hardships resulting from the Import Trade Control. You expressed yourself in general agreement with the suggestion and desired that the Committee of the Chamber should follow it up by addressing a communication outlining the proposal in greater detail.

My Committee had in mind the arrangements in force at present in connection with Export Trade. There is at present an Export Advisory Council for advising Government on matters of policy concerning exports from the country. This body has not been functioning actively, but lately it has been reconstituted and it is expected that all matters of policy and procedure in regard to exports from the country would be settled in consultation with that body. Government may well now set up a similar Import Advisory Council. Such a Council should, among other things, review the supply position on an all-India basis of all essential requirements of the

country and advise Government regarding the extent of the import assistance that may be necessary in respect of the major items of import. The main features of the Import Trade Control Policy, the targets to be fixed for particular periods, the quantitative ceilings for different groups of imports, the procedure and basis governing the grant of quotas, should all be settled in consultation with the Advisory Council. Incidental administrative arrangements concerning distribution of licences should also be determined in consultation with the Council. In short, the Council should be taken into full confidence in the formulation of Import Trade Control Policy of the country, and in fixing up all the administrative arrangements connected therewith. My Committee recognise that their recommendations and suggestions will be advisory, Government retaining the final right of decision in all matters.

Similarly, Local Advisory Committees may be appointed at the different Port centres to advise the Import Trade Controllers at the respective Ports on difficulties of a local character arising out of the application of the general principles and the implementation of the policy. Here also for Exports there are such local Committees in the main Ports. The local Committees should also be permitted to discuss individual anomalies resulting from any rigid application of the main policy and procedure, and to suggest deviations or special consideration wherever justified. The central idea underlying these suggestions is that the public and the commercial community should be taken into greater confidence regarding the arrangements made by Government in the matter of official policy governing Import Trade Control. My Committee feel that such a procedure of consultation will be to mutual advantage and will assist in the Control working in a smooth manner.

If the proposal of setting up a Central Advisory Council and the Port Committees at the main port centres is generally accepted, my Committee will, if called upon, make suggestions regarding the composition of the Council and the Committees. It is needless to emphasise that the Central Council and the Port Committees should include a fair proportion of non-official element by direct representation to the principal Chambers of Commerce at the different Port centres.

My Committee hope that the suggestion will appeal to Government and that early steps will be taken to set up Advisory Bodies on lines indicated herein.

APPENDIX 74

Import Trade Control.

Letter No. 1895, dated 16th July 1947, from Chamber to the Department of Commerce, Government of India.

It has been pointed out to my Committee that the arrangements outlined in the Press Note issued by Government of India on 26th May regarding the revision in the Import Trade Control Policy, to a certain extent, places agents or representatives of British and American manufacturing interests doing business in this country, in a position of advantage over Indian importing houses. The Control arrangements, among other things, provide that where business is not generally carried on on the basis of Letters of Credit, licences will be made valid for shipment upto the 30th September 1947. Obviously, agents in this country or branches of manufacturing or exporting houses abroad have no need to open Letters of Credit, as their transactions can be adjusted by book entries. Thus importers, who are in the above category, will be in a position to import the goods upto 30th September, whereas in the case of importers, who are not such representatives, goods will be allowed to be imported only if shipped before the 30th June. The Cinematographic Importers' Association have already sent a telegram to the Government of India drawing their attention to the above element of discrimination. It is requested that Government will be pleased to give this matter an early consideration and make such practical adjustments as would place all importing interests on a position of equality.

APPENDIX 75

Clearance of Consignments on Bond.

Letter No. 3153, dated 21st November 1947, from Chamber to the Central Board of Revenue and the Chief Controller of Imports, New Delhi.

The attention of the Committee of my Chamber has been drawn to the hardship caused to importers by the unsatisfactory nature of the working of the administrative arrangements in the matter of clearance of consignments on bond. In cases where the goods in question are covered by import licences, if such licences are not produced within one month from the date of the execution of bond, the importer is liable to penalty. On occasions, clearance on bond is necessitated because of the fact that licences are held up in the possession of Customs Authorities in other ports. Whenever a consign-

ment is received, say at Madras Port, and the covering licence is with the Bombay Customs, the usual procedure is to approach the Bombay Customs, with a request to send the licence direct to Madras Customs, as generally consignees are not allowed to take delivery of the licence and forward the same to Madras Customs. This process normally involves considerable delay. The recent change in the import control policy gave rise to a further complication in that licences had to be sent to the Chief Controller for revalidation. The completion of the formalities connected with revalidation, as is well known, involved considerable delay.

I am desired to bring to the notice of the Government the following instances, where goods were cleared on bond in the Port of Madras. The respective licences could not be produced within the period of one month from the date of the bond for reasons beyond the control of the importers, as the said licences were in the possession of Customs Authorities at other ports. Consequently, the importers concerned were subjected to penalties of substantial amounts.

(For Table, see next page.)

It stands to reason that where the delay in the submission of the licence within the stipulated period is caused due to factors not within the control of the importer, the administrative arrangements for conforming to the requirements of the law and procedure should make certain provisions freeing such cases from the liability to penalty. In the cases cited above, claim for special consideration and relief is all the more reinforced by the fact that the delay was caused by reason of the delay in returning the documents by other Government Authorities.

It is requested that Government of India will be good enough to examine the complaints and make such practical adjustments as would obviate chances of such hardship.

APPENDIX 76

State Trading in respect of Certain Articles of Export

Telegram, dated 27th March 1947, from Chamber to the Commerce Department, Government of India.

Attention Committee, Indian Merchants' Chamber, has been drawn to the report as it has appeared in the press of certain observations made by Honourable Commerce Member during the course of debate on the Bill empowering Government to continue control on exports and imports bearing on the question of State undertaking direct trading activities in certain specified articles. According to that report

[*Contd. on p. 370.*

Importers: **Messrs. Batliboi & Co, Forbes Street, Fort, Bombay.**

Article	Name of Steamer S. S.	Licence No.	Date on which requested Bombay Customs for sending the Licence	Date on which penalty imposed
Corn Emery from U.K.	..."MARKHOR"	PAN/9234/ DCCI-CAL	10—2—47	6—6—47
Leather Beltings from U.K.	..."TAHISINIA"	31537/U.K./ DCCI-CAL	Bombay Customs forwarded licence. Copy of their letter to Madras Customs sent by the firm on 13-9-47	
Hair Beltings from U.K.	..."EXCHANGE"	PAN/10708/ U.K./DCCI-CAL	5—7—47	24—9—47
Leather Beltings from U.S.A.	..."EXCHANGE"	22782/U.S.A / DCCI-CAL	14—7—47	1-10—47

Contd. from p. 368.]
Honourable Member is understood to have stated that Government had decided to try a system which came midway between State trading and private trading in regard to export of certain articles and if the experiment proved successful the procedure might be extended to other fields. Report further added that if the tender system which Government had in contemplation for the above purpose was not found to work well it might be necessary to go whole hog and adopt a full-fledged system of State trading. Committee presume that Honourable Member has been correctly reported in regard to the observations he made on the occasion. If the observations were intended as a statement of Government's future policy, Committee wish to record their emphatic protest against the whole procedure and the proposal of Government to embark on direct trading operations. Indian commercial community had all along emphasised the importance of strictly adhering to the policy of allowing the normal channels of trade to function in all the stages of the operations connected with the import and export trade of the country. It is pertinent in this connection to point out that they had on successive occasions placed before Government their strong feeling that even the officially sponsored arrangements of a temporary character made during the period of the war canalising trade in respect of selected articles through *ad hoc* agencies of an official character should all end and that trade should be allowed to flow through normal channels. There is no justification whatsoever for Government entering this sphere either in limited fields or otherwise and trying to create artificial conditions in the handling and operations connected with the overseas trade of the country. Committee therefore request that Government will be pleased to reconsider the position and abandon the projected scheme, and allow private trading to continue to carry on all the operations connected with the handling and disposal of merchandise in the country either internally or for purposes of import and export. Committee further submit that before embarking on changes of a far-reaching character like the above, Government should adhere to the salutory practice of eliciting commercial opinion by circulating their proposals in advance to recognised public bodies so that before Government formulate final decisions they would have the advantage of views and suggestions of all the interests concerned.

Letter No. 895, dated 14th April 1947, from Chamber to the Department of Commerce, Government of India.

During the course of the debate in the Central Legislative Assembly on the Bill to empower Government to con-

tinue control on exports and imports, the Honourable the Commerce Member is reported to have said that Government intended to try a system which came mid-way between State trading and private trading in regard to the export of oil and oilseeds, bones and bone-grist, and soaps. According to the report, the suggestion was that Government should invite tenders through advertisements in the press specifying the quantity to be exported and the destination from persons who wanted to have the right to export. The report added that if the experiment proved successful and Government could secure substantial revenue out of the same, it might also be tried in other fields, and that if the tender system was not found to work well Government might have to go whole hog and adopt a system of State trading as such. The Committee of my Chamber had on the 27th March last sent a telegram to Government protesting against the above move and emphasising the importance of adhering to the policy and practice of allowing the normal channels of trade to function in all the stages of the operations connected with the export trade of the country. They had on successive occasions in the past placed before Government their strong feeling that all officially sponsored arrangements of a temporary character made during the period of the war canalising trade in respect of certain articles through *ad hoc* agencies of an official character should end, and that the trade should be allowed to flow through normal and traditional channels and agencies. In their opinion, there was no justification whatsoever for Government entering this sphere either in limited fields or otherwise and trying to create artificial conditions in the handling and operations connected with the overseas trade of the country. My Committee wish to reiterate their objection in principle to any proposal for State embarking upon direct trading operations, and they urge that Government will be good enough to abandon the proposal in question and allow the normal channels of trade to function and carry on all the stages of the work and operations connected with the export of goods from this country to overseas countries.

2. It is pertinent in this connection to point out that before making such far-reaching changes in procedure and policy, Government should take the commercial community of the country into confidence and circulate to them their proposals and elicit their views on the same. In this case, Government have more or less sprung a surprise on the commercial and trading interests. The scheme or the proposals of Government were not communicated to them. Even now, beyond the brief outline given casually by the Honourable the Commerce Member in the Central Legislature, no official

statement containing the details of the proposals and explaining the scope and implications thereof has been made available. My Committee submit that it is the duty of Government to circulate the whole scheme with all relevant details before taking final decisions thereon.

3. In the report referred to above, it was mentioned that the system would be first tried in the case of exports of oil and oilseeds, bone and bone-grist and soaps. My Committee would like to have details of the procedure which Government propose to follow in implementing the new system. It is not clear whether the right to tender for exports would be confined to established shippers who had been in the export trade of a particular commodity in a selected prewar period or whether it would be open to all irrespective of past share or performance in the trade. If established shippers are to have preferential right, do Government propose to reserve any proportion of the authorised exports for allotment to interests newly established in the trade ? Moreover, does it mean that the application of the tender system implies that the export permission would be given to the party who offers the highest price for such permit ? These are some of the relevant points on which the trade naturally is anxious to obtain fuller information, and in order that the interests concerned may have a full and complete picture of the proposals of Government, my Committee suggest that a detailed note explaining fully the scope and implications of the scheme may be published and circulated for opinion to all important commercial bodies without any delay.

4. Before concluding, my Committee would once again appeal to Government to altogether abandon the new proposal and to adhere to the previous practice of allowing the export trade in question to be carried on through the recognized and established channels of trade.

Letter No. 1095, dated 29th April 1947, from Chamber to the Department of Commerce, Government of India.

Recently reports had appeared in the press that Government intended to introduce a system of tenders for permission to export oils, oilseeds, bones and bone-grist. My Committee have separately already addressed Government asking for full details of the above scheme and the procedure connected therewith.

In this connection they have also seen reports of questions and answers in the Legislative Assembly containing information about Government's decision to allow export of certain specified quantities of edible oils and oilseeds. It may

be mentioned that Government had, for some time now, not been allowing any exports of oilseeds and edible oils, because of the acknowledged shortage of edible fats in the country and on account of the existing food supply position. My Committee would like to know if Government are now satisfied that supplies of oilseeds and oils in the country are adequate so as to permit exports of the same. If so, they would like to have information about the stock and surplus position, so that the public may feel reassured. They would also like to have reassurance whether Government are satisfied that export of edible oils and oilseeds at this stage will not lead to conditions of shortage, so far as internal supplies are concerned.

I am desired to request you to kindly furnish my Committee with full information about supply position of oilseeds and oils so as to enable them to go into the matter more fully.

My Committee would also like to know if allotments for exports of edible oils and oilseeds are in exchange for the supply of essential commodities for this country. If so, particulars of the arrangements in force, for the exchange of mutually complementary goods may also be furnished.

Letter No. 108-CW(14)|46, dated 27th May 1947, from Department of Commerce to Chamber.

With reference to your letter No. 1095, dated 29th April 1947, on the subject mentioned above, I am directed to enclose for your information copy of press note, dated 15th May 1947, explaining the Government Policy regarding export of oilseeds and oils.

The exportable surpluses have been worked out in consultation with the State and Provincial authorities. For the present only a part of the estimated surpluses will be allowed to be exported. Further exports will be allowed later on if a review of the supply position justifies such a course.

PRESS NOTE DATED 15-5-47 REFERRED TO ABOVE

PROCEDURE FOR EXPORT OF OILS, OILSEEDS, CRUSHED BONES

Owing to technical difficulties involved in the immediate introduction of the tender system, announced on May 2, 1947, for the sale of rights to export Groundnut kernel, Linseed, Castor seed, Groundnut oil, Linseed oil, Crushed bones and Bone-grist and Soap, the Government of India are re-examining the conditions under which the export of these commo-

dities should be allowed in future. Meanwhile, it has been decided to maintain the procedure so far adopted for the issue of export licences for all these commodities except soap, subject to certain modifications. This decision has been taken in order to avoid further delay in the issue of licences for exportable surpluses in the current year.

In pursuance of the policy adopted in regard to certain other commodities, 25 per cent of the quotas of crushed bones and bone-grist will be reserved for newcomers, i.e. those who under the existing procedure are not considered eligible to receive licences. It is intended that this modified procedure shall remain in force till the end of 1947, pending a final decision on the general policy to be adopted in future in the granting of licences for export.

The following are the quantities of the commodities concerned that are to be licensed for export:

Groundnut kernel	50,000 tons
Groundnut oil	22,000 „
Linseed	22,000 „
Linseed oil	4,000 „
Castor seed	8,125 „
Crushed bones and Bone-grist	24,000 „

Intending exporters are advised to contact the Export Trade Controller at the port concerned for further details.

An announcement concerning the export of soap will be made in due course.

APPENDIX 77

Export of Linseed and Linseed Oil against Supplementary Quotas for 1947|48

Letter No. 2818, dated 15th October 1947, from Chamber to the Ministry of Commerce, Government of India.

The Government of India by a press communique announced that quotas of linseed and linseed oil for export to various destinations outside India would be allowed to the extent of 14,000 tons of linseed and 4,150 tons of linseed oil. Subsequently, however, the notification issued by the Export Trade Controller in Bombay on 24th September mentioned the quantities to be allowed as supplementary quotas as 10,520 tons of linseed and 3,045 tons of linseed oil. According to the information informally ascertained by the trade interests, it would appear that the difference between the quantities originally announced by the Government of India and

those mentioned in the Export Trade Controller's notification had already been allotted to Australia. The trade had no information about the same; nor were they invited to apply for quotas in respect of the allotment to Australia. It further transpires that the Government of India have already issued the quotas out of this allotment to Australia to the parties who were given export quotas at the time of the last main allotment for Australia. Thus, if the information is correct, the supplementary quotas for Australia have been allotted to persons who secured quotas for the earlier main allotment without giving an opportunity to the trade interests generally to apply for the same.

The injustice involved in the above procedure is rendered all the more glaring by the fact that at the time of the previous allocation, quotas were issued in favour of many parties who were not at all previously in the seeds trade and who had no claim for any kind of consideration. This aspect and the feeling of dissatisfaction caused on account of the same have already been placed before Government. If Government have distributed the surplus quotas also to the recipients of the original quotas, those who are established in the trade have every reason to be dissatisfied with the procedure adopted by Government.

My Committee request that the matter may be looked into and the exact position explained. They also seek an assurance that in future all quotas in respect of oilseeds and oil would be distributed after full information about the same is made available to the trade interests sufficiently in advance and that in the allocation of quotas care would be taken to ensure that only parties who have an interest in the trade come in for such allocations.

Letter No. 108-C.W.(3)|46, dated 15th November 1947, from the Ministry of Commerce to Chamber.

With reference to your letter No. 2818, dated 15th October 1947, on the subject mentioned above, I am directed to say that the Government of India received urgent demands from the Australian Government for supplies of linseed and linseed oil against supplementary quota. To expedite the shipment the Government of India decided to allot quotas to persons who secured quotas against the advance allotment on a *pro rata* basis.

I am, however, to inform you that a further quota of 3,000 tons linseed has been allocated to Australia and that the Government of India have invited fresh applications for export by a Press Note issued on the 1st November 1947.

APPENDIX 78

Export of Oils and Oilseeds

Telegram, dated 11th June 1947, from Chamber to the Commerce Department, Government of India.

Attention Committee, Indian Merchants' Chamber, drawn to the difficulties in conforming to procedure prescribed for proving export commitments regarding application for licences for exports of oilseeds and oils. It is provided that application should be accompanied by proofs regarding confirmed sale and Letters of Credit, etc. Obviously, before the buyer at the other end is in a position to know the quantity which the supplier would be able to export against orders, it would be difficult to arrange for Letter of Credit for the value of the full quantity. Naturally, no buyer would like to be placed in a position of having to open Letters of Credit for the full extent of their requirements unless they know that there are reasonable chances of supplies to that extent. It appears that Government have alternatively provided that where buyers are not in a position to open Letters of Credit, they should produce certificates from authorities representing the Government of their country about the quantities they order. In actual practice, this is also found to be difficult as obtaining such a certificate necessarily takes time in previous correspondence. In order to obviate the above practical difficulties Committee suggest that licences may be given without any insistence on the prior production of Letters of Credit it being provided that within a prescribed period after the grant of the licences, if the necessary credit was not produced, the licence was liable to be cancelled. Under such an arrangement the exporter knows definitely the quantity he is in a position to offer and after getting licence he may arrange for the necessary Letter of Credit to cover the cost of the quantity exportable. Committee request that Government will be good enough to give this matter their early attention and to make the necessary changes in the procedure.

Letter No. 108-CW(14)|47, dated 5th July 1947, from the Department of Commerce to Chamber.

With reference to your telegram dated the 11th June 1947 on the above subject, I am directed to say that the Government of India have fully considered the question of relaxing the condition relating to opening of Letters of Credit for the grant of export licences for oilseeds and oil. It is considered that it is not possible to dispense with the condition of production of Letters of Credit altogether at this late stage.

In case, however, where Letters of Credit cannot be produced for technical or other reasons, Government have decided that guarantee certificates of payment from banks or officials in importing countries should be accepted in lieu of Letters of Credit. The Export Trade Controllers have been informed accordingly.

Letter No. 3253, dated 29th November 1947, from Chamber to the Ministry of Commerce, Government of India.

The Committee of my Chamber had drawn the attention of Government to the practical difficulties experienced in conforming to the procedure prescribed in the matter of exports of oils and oilseeds. Applications are required to be accompanied by proofs regarding confirmed sale and Letters of Credit. It has been pointed out to my Committee that before the buyer at the other end is in a position to know the quantity which the supplier would be able to export against orders, it is unreasonable to expect the former to open a Letter of Credit for the full value of his requirements. Obviously, the exporter here would be able to supply only such quantities as may be covered by the quota ultimately allotted to him. Exporting Houses have now again addressed my Committee pointing out the sense of dissatisfaction prevailing in the importing countries over the present arrangements. In fact, copies of correspondence received from such importing countries have been furnished to my Committee. The complaint of the importers at the other end mainly is that they are reluctant to place business until the position about the licences is fully known. The quantities allotted to various shippers were often uneconomical and some of the foreign buyers are not interested in smaller lots. Then again applications are called for by the Department before a prescribed date. Government take unusually long time in deciding on the same, keeping the parties in suspense and there is a long time lag between the date of application and the final allocation of quotas. It is a little too much to expect the foreign buyer to keep the transaction pending in that form for all the time. When this country is anxious to stimulate her exports, our policy and the administrative arrangements in keeping with that policy, should not be such as to cause any avoidable feeling of dissatisfaction in our customers. My Committee, therefore, suggest that Government will be pleased to review the present administrative arrangements in connection with the grant of export quota for oils and oilseeds.

They would, in this connection, like to make some suggestions. The allocations, countrywise, should be announced sufficiently in advance. After the applications are received,

Government's decision regarding the quotas sanctioned should be communicated forthwith and the parties concerned should not be kept in suspense. Licences should be given without any insistence on the prior production of Letters of Credit, it being provided that within a prescribed period after the grant of licence if the necessary credit was not produced, the licence was liable to be cancelled.

APPENDIX 79

Export Licences for Oilseeds

Letter No. 2724, dated 3rd October 1947, from Chamber to the Ministry of Commerce, Government of India.

Under the existing Regulations, licences for export of oilseeds are given on the basis of confirmed sales supported by Letters of Credit or other arrangements about payment. Obviously the above provisions were intended to safeguard that the licences were obtained only by *bona fide* exporting interests. The attention of my Committee has, however, been drawn to a practical difficulty. There has been considerable delay in the formalities connected with the disposal of applications for licences. It has been pointed out to my Committee that in certain cases, before the licences were actually received, the period of the credit has expired, as under the existing practice, credits are opened only for a duration of three months. Further, the credit having expired, it is difficult to force the foreign buyers to adhere to their commitments. Under such circumstances, the quota-holder may be obliged to sell and ship the goods to other parties. My Committee would like to suggest that in specific cases of the above character, after fully going into the facts of the case, Government may give special permission for the quota being shipped to new buyers. It is hoped that Government will be good enough to give the above suggestion their sympathetic consideration.

APPENDIX 80

Trade with Siam

Letter No. 2464, dated 11th September 1947, from Chamber to the Ministry of Commerce, Government of India.

The Indian exporting houses, who had business dealings with Bangkok (Siam) have represented to my Committee the difficulties they are experiencing in resuming their export trade with that country.

Although after the end of the war, exchange of goods between India and Siam is taking place, the normal channels which used to function for the purpose are not permitted to enter the trade. Quotas also are not being granted for exports to that country to private exporters in respect of articles, exports of which are controlled. Obviously, this may be due to the fact that the exchange of goods may be taking place on a Government to Government basis as part of the arrangement under which the Government of India got supplies of foodgrains from Siam. In any case, the whole position requires to be reviewed. Even if India has, in exchange for the assistance which the country receives from Siam in the matter of foodstuffs, to officially supply certain quantities of Indian goods to Siam, the actual handling and the export of the goods in question may be arranged through the traditional trade channels. All countries now are making every effort to re-establish direct trade connections which were disorganized during the period of the war and the Government of India should also give this matter their early attention and bring about conditions, which would enable private trading interests to resume their trade relations with Siam and re-establish normal business with that country.

It is requested that Government will be good enough to give this matter their early attention.

APPENDIX 81

Export of Silk Fabrics

Letter No. 1220, dated 9th May 1947 from Chamber to the Department of Commerce, Government of India.

I am directed by the Committee of the Indian Merchants' Chamber to address Government on the question of liberalising the policy governing the existing restrictions on export of silk manufactures. Under the Export Control scheme, exports of silk fabrics are not entirely prohibited, but are intended to be allowed to be exported subject to licences given by the Department. In actual practice, however, it appears that Government have not been giving licences, and that only Benares and Surat Sarees are generally allowed to be exported. My Committee realise that in the conditions which were obtaining till recently, when the country was experiencing an acute scarcity of supplies in regard to all kinds and qualities of silk fabrics, such a policy of rigid restriction on exports had its own justification, in that the same

would conserve all the available supplies for use in the country. The position, however, has, to some extent, changed recently. Government must be, no doubt, aware of increased imports of silk and the consequent decline in the prices of both Indian manufactured silk and imported silk fabrics. Moreover, production of silk in the country has also increased. According to the information furnished to my Committee, the production of filature raw silk before the war did not exceed 1,50,000 lbs.; in 1944 it rose to 4,00,000 lbs., and in 1945 it was over 5,00,000 lbs. The production in 1946 is estimated at about 6,00,000 lbs. Six lakhs pounds of real silk yarn will produce about fifty lakhs yards of silk fabrics. Besides, there has also been a corresponding increase in the production of *Charka* silk in the country. In the above view of the case, it is reasonable to assume that there has been recently a substantial increase in the production and supply of silk fabrics manufactured in the country. The supply position is further made easy by the imports of foreign silk, as already referred to above.

In the light of the above factors, my Committee feel that there is now no justification for continuing the control on exports of Indian-made silk with the same degree of strictness as in the past. There is also the question of affording opportunities to the Indian silk manufacturing industry for securing and maintaining export markets. After all, the industry has grown and it must be assisted in the process of consolidating its position. This long-term aspect has also to be given due importance in regulating Government's policy in the matter of export control. My Committee, therefore, request that Government will be pleased to review the entire position and liberalise the existing control on silk manufactures in such a manner as to allow the export of a prescribed percentage of Indian production so as to assist the industry in its efforts to secure and maintain a permanent export market for Indian silk fabrics.

Letter No. 130-CW(2)|46, dated 11th June 1947, from the Department of Commerce to Chamber.

With reference to your letter No. 1220, dated the 7|9th May 1947, on the above subject, I am directed to say that export of silk fabrics other than Benares and Surat silk sarees is now permitted within certain quota allocations. Members of your Chamber interested in the matter may accordingly be directed to contact the Export Trade Controller at the port concerned.

APPENDIX 82

Export of Raw Wool

Letter No. 557, dated 4th March 1947, from Chamber to the Chief Controller of Exports.

I am directed to address Government in regard to the difficulties experienced by the Indian exporters of wool as a result of considerable stocks accumulating in the country owing to delay in issuing necessary licences for export of the same. While my Committee have been aware of the various notifications issued by Government inviting applications for the grant of licences for such exports, they would particularly like to draw the attention of Government to the latest notification No. 1334, dated 14th January 1947 which, in their opinion, is responsible for creating further delays in the disposal of accumulated stocks. The said notification invites fresh applications from exporters, shippers, etc. on the basis of actual number of fully pressed bales duly covered by firm contracts, or in the case of U.K. by advance payments and lying at Bombay on 20th January 1947 or actually railed on or before that date to ports. While considerable number of applications are awaiting disposal under the previous notifications, my Committee feel constrained to remark that the notification under reference inviting fresh applications, would cause further delay in the disposal of stocks which are daily accumulating in the country. Further, it should not be lost sight of that Government have fixed a quota of 30,000 bales only on the basis of which export licences will be issued. The position in regard to Indian wool *vis-a-vis* internal consumption is not very encouraging. As represented to them Indian wool has no great demand in the country itself. It is, however, largely used in the manufacture of carpets by foreign manufacturers. If the position as presented to my Committee is correct, it is desirable that steps should be taken for the speedy and expeditious disposal of the surplus stocks now lying in the country. My Committee would like to know the considerations which weighed with Government for allocating only 30,000 bales for export while about a lakh of bales are available for export purposes.

Under the circumstances mentioned above, my Committee request that Government will be pleased to expedite the arrangements for the disposal of the 30,000 bales fixed as quota for export with a view to bring immediate relief to the exporters concerned.

Letter No. 21-E III(2)|47, dated 19th March 1947, from the Chief Controller of Exports to Chamber.

With reference to your letter No. 557, dated 4th March 1947 on the above subject, I have the honour to say that the export of wool has been decontrolled and that no licence is, therefore, now required for its export.

APPENDIX 83

Export Duty on Raw Jute

Telegram, dated 21st November 1947, from Chamber to the Commerce Department, Government of India.

Committee, Indian Merchants' Chamber, have noted announcement in press re. decision of Pakistan Government to levy export duty on raw jute transported across land frontiers of Pakistan. Committee consider this unilateral action as a flagrant violation of provisions of the Standstill Agreement between the two Governments. The proposed export duty is in effect a customs barrier between the two Dominions and as such definitely precluded by the Standstill Agreement. Committee relieved to note that Government of India disapprove of action of Pakistan Government and have lodged their protest against same. Committee urge that matter should be pursued vigorously and that observance of the Standstill Agreement should be enforced by securing withdrawal of the levy of the duty in terms of the announcement. Committee will be grateful for information regarding steps already taken or proposed to be taken by Indian Government in the matter.

APPENDIX 84

Packing of Cargo shipped from Bombay

Letter No. 705, dated 20th March 1947, from Chamber to the Bombay Underwriters' Association.

I am directed to refer to your letter of the 15th February on the above subject. The suggestion therein was placed before my Committee and was also examined in detail by a Sub-Committee of the Chamber.

While my Committee agree that packing of export cargo from India to African Ports should not give rise to any occasions for complaint, they feel that the proposal to include a warranty clause in Insurance Policies covering such exports to the effect " Warranted packed in double gunny or properly

secured packing cases" is not feasible. Inclusion of such a clause would mean that in future all export cargoes would have to be packed in double gunny. A general provision of that character, it is felt, does not take due account of the existing arrangements and practice in regard to packing. The use of double gunny normally depends on special stipulations in the contract. Where the buyer wishes that the goods in question should be despatched after having been packed in a specified manner, he makes a special mention of the same in the relevant contract. Moreover, certain types of consignments may not require normally double gunny. It is also significant to mention that any insistence on the use of double gunny in all cases would lead to an avoidable increase in cost. My Committee are not convinced of the need for any such rigid provision. They are, therefore, opposed to the proposal for including a warranty clause on the lines indicated in your letter and feel that the use of double gunny for packing or otherwise should, as in the past, be left to be determined to be a matter for settlement between the exporter at this end and the buyer at the other end.

My Committee trust that your Association will be good enough to give the above views their due consideration and not proceed with the suggestion for including an additional warranty clause in Insurance Policies.

Letter, dated 15th April 1947, from Bombay Underwriters' Association to Chamber.

I acknowledge receipt of your letter No. 705, dated 20th ultimo and am directed to point out what was apparently overlooked in our previous letter, namely that our proposed warranty will apply only to piecegoods and not to any other commodities.

In view of this and since the proposed warranty was suggested by the Bombay Chamber of Commerce and has been supported by the Bombay Millowners' Association, it is hoped you will accord your agreement to the use of the warranty which it is proposed to adopt with an extra of 2 annas per cent for non-compliance with it, applicable to coast ports as well as out-ports shipments.

Letter No. 1060, dated 24th April 1947, from Chamber to the Bombay Underwriters' Association.

Your letter dated the 15th April re. the above was considered by my Committee at their last meeting. Having regard to the fact that the proposed warranty would apply only to piecegoods and not to any other commodities, they have no objection to the same.

V.—GENERAL

APPENDIX 85

Questionnaire issued by the Administrative Enquiry Committee

Letter No. 1363, dated 21st May 1947, from Chamber to the Administrative Enquiry Committee, Finance Department, Government of Bombay.

I am directed to refer to your letter No. 6745|33-X, dated the 28th February 1947 forwarding a copy of the general questionnaire issued by the Administrative Enquiry Committee and in reply to send to you hereby the views of my Committee on certain aspects concerning the main purpose of the enquiry and in particular on some of the specific questions in the questionnaire.

The terms of reference of the Committee are fairly exhaustive and wide. The Committee are expected to recommend the means of providing an economical administrative machinery and with that object to examine the growth of expenditure, temporary and permanent, on administrative machinery since 1938|39, to enquire into the working of the existing machinery, to consider methods of curtailment of expenditure and of increase of efficiency, to suggest methods of absorbing the surplus staff that may be released as a result of any retrenchment proposals and generally to make recommendations regarding principles which should govern the determination of pay scales, etc. for Government servants.

My Committee, however, are at a disadvantage in making detailed or concrete suggestions on all the different aspects covered by the enquiry, or in giving specific replies to some of the questions contained in the questionnaire, because of the lack of direct and intimate touch with the existing arrangements about the administrative machinery and method of work. They have also no first-hand knowledge or general experience of the working of the existing system. It is further also not clear whether there are precise and definite principles governing the pay scales for the different cadres in the Government servants. In view of the above limiting factors, they would naturally be able to deal with the subject-matter of the enquiry only from a general standpoint and the observations which they are making hereinafter should be construed in that spirit.

One main line of criticism against the principles governing the pay scales in force for Government services in the country generally was the glaring disparity in the scales of

emoluments and remuneration as between the subordinate services and the superior services. The salaries and allowances paid to the officers of Government were deemed to be comparably high and administration in all Government Departments was, to some extent, deemed to be top-heavy. In the past, this may, to some extent, be traced to the fact that the scales of salaries had to be fixed with reference to the needs of an alien ruling class which had, more or less, developed artificial standards of life and expenditure. In the altered context of affairs resulting from the transference of power to the people, it is reasonable to expect an automatic readjustment and the services cannot be uninfluenced by the force of example of leaders in non-official life. This aspect of the problem has been dealt with adequately in the recent Report of the Pay Commission appointed by the Government of India.

It must, at the same time, be emphasised that Government employees should be entitled to expect a scale of remuneration which would enable them to maintain themselves in such a degree of comfort and dignity as would shield them from temptation and keep them efficient for the term of their service. The scales should further be such as to afford enough attraction to young men of ability and ambition. As stressed by the Central Pay Commission, there would be general agreement that in principle the scales offered by Government should " as far as practicable maintain a fair relativity between the rates of pay of certain classes of civil servants and comparable outside rates ". Government would, therefore, in formulating the basis for the revision of the permanent pay scales of the Provincial servants, in a large measure, have to be guided by the above consideration, viz. that the scales and rates should be such as may be comparable to outside rates in corresponding vocations and occupations and that in the determination of the salaries of the subordinate services, principles based both on economic and moral considerations should be given due weight.

A review of the expenditure on administrative machinery, both temporary and permanent during war years, clearly reveals the enormous rise that has taken place mainly as a result of the new activities undertaken by Government in consequence of the conditions created by the war. The total expenditure on administrative machinery rose during the war period by nearly more than five times; the expenditure on the Civil Supplies Department alone was in the year 1946|47, 18 times over what it was in 1942|43. The Civil Supplies Department was set up first in the year 1942. The Department, as the name indicates, was mainly concerned

with the problem of administering and ensuring control on civil supplies and in that process the main trading activities undertaken by Government as a result of the controls and the rationing also came under that Department. Obviously, the activities of the Department are of a temporary nature and the war having ended, the larger question as to whether Government should continue thier trading activities naturally arises. Whatever might have been the justification for the Provincial Government entering the sphere of direct trade in the past, the time has now come when the whole position should be reviewed and the trade in the controlled commodities should be allowed to be carried through normal channels. A change in policy and procedure in the above manner will automatically result in the saving of administrative expenditure on a considerable scale. My Committee realise that in the existing supply position, the need for some controlled distribution so far as the basic cereals are concerned, will continue. But all the activities connected with the actual handling and distribution of the supplies may be left to be performed entirely by the trade interests concerned, which may be expected to do it more economically. For instance, in the cloth trade, although there is in force even now control on distribution and in certain areas a system of distribution by rationing, the entire functions connected with the actual handling and distribution are being performed by the normal trade machinery and channel. The Enquiry Committee will, therefore, have to concentrate on this question of the future policy of the Provincial Government regarding administration of the Civil Supplies Department in the province and if only they recognise the overwhelming case for allowing the trade to flow through normal channels, there would be a considerable saving in the administrative expenditure, as the elaborate machinery which Government have improvised for the trade and other activities of this Department may be disbanded.

My Committee are not suggesting any indiscriminate retrenchment in Government establishments at this stage. Perhaps, there will not be any need for any large-scale retrenchment. Government have on hand various reconstruction and development plans and programmes. The surplus staff that may be released from the discontinuance of some of the temporary activities of Government in the Departments that were set up during the period of the war, may well be absorbed in the programme and activities connected with reconstruction and development. Thus the normal annual recurring budget may be afforded some measure of relief by the curtailment of expenditure on these war-time departments; the personnel released thereby would, at the same

time, be enlisted for service in the special developmental work, of course, with such readjustments as may be necessary in the process of transference of activities. With these preliminary observations, my Committee would like to reply to some of the specific questions in the questionnaire.

Questions 1 to 4:

These questions relate to the working of the present administrative machinery, their standard of efficiency, the suitability of the present scales of salary, etc. As mentioned in the preliminary remarks, these are not matters on which my Committee have any direct knowledge or information. However, on the question of determining the permanent pay scales and allowances for public services, the Central Pay Commission, who have since reported, have formulated certain fundamental principles and criteria for determining the scales of salaries of public servants. The broad rule laid down by the Islington Commission that Government should pay so much and so much only to their employees as was necessary to obtain recruits of the right stamp and secure to them reasonable standards of comforts, may be generally adhered to.

Question 5:

On the question of policy and procedure governing stores purchase, my Committee would like Government to examine the feasibility of setting up in the Province a centralised agency for making the purchases of the requirements of Government on the basis of open tenders. The experiment of the Central Government in having their own Indian Stores Department was attended with a fair measure of success. The system ensured the supply of goods to Government on fair and reasonable terms and at the same time it also afforded equal opportunities for all those who were in a position to tender or supply such goods. In fact, many Provincial Governments, as also the State Railways, were largely taking advantage of the machinery of that Department for the purpose of making purchases of their requirements and stores. My Committee believe that the Government of Bombay had also some such proposal for setting up their own Stores Purchase Agency in the Province. The feasibility of such a Central Purchase Organisation for the province set up by the Provincial Government themselves or in co-operation with the Government of India may well be investigated.

On the question of construction and maintenance of works, my Committee feel that, as far as possible, Government should get such work done on a contract system. It is

their firm view that in the long run, the contract system would be more economical and efficient from the point of view of ultimate results. The present tendency for getting construction work, wherever possible, on a departmental basis should be discouraged and such work should, as a matter of policy, be entrusted to professional people who have specialised in the job. The contract should naturally be given on the basis of tenders.

Question 6 :

My Committee have in their preliminary remarks dealt with the main general aspects covered by this question. It is a matter of common knowledge that during the war period, numerous controls were imposed both from considerations of economic warfare and for conserving supplies for equitable distribution. This evidently resulted, on the one hand, in the displacement of normal trade channels which till then were performing functions connected with the handling, supply and distribution of the commodities and articles placed under control, and on the other, led to Government improvising an elaborate machinery for the administration of such controls. The controls are being gradually relaxed, but the process of relaxation is very slow and tardy and although it is nearly two years since the termination of hostilities, a large sector of our economic life is still subject to controls involving, naturally, in the continuance of the activities of some of the *ad hoc* Departments and temporary establishments. The growth in expenditure since 1938|39 under the head " Temporary " which mainly refers to the Civil Supplies Department and establishments functioning under it, is an indication of the administrative responsibilities and obligations undertaken by Government in consequence of the controls. It may be mentioned that the expenditure under " Civil Supplies Shemes " which stood at Rs. 10.24 lakhs in 1942|43 rose to Rs. 185.65 lakhs for 1946-47, i.e. nearly 18 times. Likewise, the expenditure under the General Administrative Machinery which stood at Rs. 79.18 lakhs in 1938|39 has reached the level of Rs. 142.49 lakhs for 1946|47. My Committee realise that the increasing extent and the variety of Government functions consequent upon their war-time activities necessitated the above abnormal increases in administrative expenditure. They are, however, firmly of the view that there is no longer any justification for continuing the said state of affairs. The whole position in regard to control should be reviewed at a high level and every effort made to restore normal conditions in the handling and distribution of civil supplies. My Committee concede that so long as the present shortage in foodstuffs continues, a measure of governmental supervi-

sion and control may be unavoidable so far as foodgrains are concerned with a view to ensuring effective supply and equitable distribution. But even in this sphere, they would insist that the normal trade channels, both wholesale and retail, should be fully integrated in the machinery at every stage, whether of procurement, storage or of distribution. Tentative figures of Government cost for the entire work connected with civil supplies are said to work out at 7 per cent to 8 per cent whereas, if the same were to be entrusted to the normal trade channels, the cost would be very much less.

Question 7 :

The Committee of my Chamber have on several occasions in the past represented to Government the desirability of removing controls in general, inasmuch as in their opinion, the same have accentuated conditions of scarcity by encouraging hoarding and creating unhealthy conditions of trade. The whole system has disturbed the normal pattern of trading by suspending, as it were, the laws of supply and demand. Besides, the vagaries in the administration of the various controls and the inefficiency of the departmental machinery, due to lack of experience in discharging the functions connected with the controls, have resulted in a good deal of discontent in the public. The present administration of the cloth control which, even the Honourable Minister for Civil Supplies of the Provincial Government described virtually as a farce, is an apt illustration of the futility of some of these controls. It is significant to point out that the feeling against controls is growing and lately there has been insistent demands from several quarters including Provincial Governments and important public bodies and Associations for the removal of the control on textiles. My Committee believe that in the case of the cotton textile control, although the control scheme has been devised and is administered by the Central Government, the cost of the provincial administration is being borne by the province. Apart from ending the present unsatisfactory state of affairs obtaining in the sphere of supplies of cotton textiles, the removal of the control will result in the saving of some expenditure on the administrative machinery set up by the Provincial Government.

Question 8 :

It follows from the answer to Question 7 and the observations in the preliminary remarks that in the opinion of my Committee, the functions of the Civil Supplies Department should be reduced to the minimum and the trading activities which are at present being carried on by that Department should now end. My Committee are, moreover, opposed in

principle to State Trading and in their view Government should not encroach upon the spheres of trade and commerce by undertaking direct trading activities themselves. The Government's administrative machinery, both from the point of view of personnel and from that of experience, is ill-equipped for the purpose of carrying out such activities. Normal trade channels, with their traditional technical knowledge and sound practical experience ranging over long periods, can give proper attention to problems like storage and distribution particularly in the case of essential articles like foodstuffs more economically and efficiently thereby preventing a large part of the present wastage. It is, therefore, the considered view of my Committee that the activities of the Civil Supplies Department should be wound up with the least possible delay, the department being concerned only with the essential work of supervising the distribution of articles of foodgrains.

Question 17 :

There is need for increasing the efficiency of disposal in the Secretariat organisation. My Committee would like to make one specific suggestion particularly with reference to the relations of the Secretriat with the public. The treatment meted out generally by the officials to the members of the public are far from satisfactory. The public services should be reminded of their role in society and they should behave with members of the public in a very courteous manner. My Committee suggest the creation of a post of a Public Relations Officer in the Secretariat which will, in their opinion, go a long way in removing the present lack of contact between the public and the Secretariat organisation. Such an Officer will prove to be a liaison between the public and the Secretariat officials and also can guide members of the public by giving the necessary information on matters concerning the work of particular Governmental Departments.

Question 20 :

Qualification and merit should be the guiding factors in the selection of the personnel for public services. The system of competitive examinations which was largely in force in the Central Government before the war, will go a long way in securing to Government the best material available. At the same time, some procedure of Departmental Competitive Tests at fixed intervals and stages may be laid down so that promotion from one post to another may be governed by the maintenance of a required standard of efficiency. My Committee understand that in the offices of the Accountant-General as also in certain Railway establishments, these Departmental examinations are a normal feature.

Question 21 :

Although the present dearth of technical personnel may continue for some time longer, it is conceivable that as a result of the schemes of technical training initiated by Government, the position would improve considerably in the coming years. At the same time, with the realisation of the plans of development and reconstruction, the demand for technically equipped personnel will also be on the increase. My Committee would, in this connection, like to reiterate a suggestion which they had in the past often made, both to the Central Government and the Provincial Government, that all those manufacturers and suppliers who supply stores and other requirements of Government should be under a definite obligation to give facilities in factories for technical training. It may here be recalled that the Bombay Legislative Assembly passed the following resolution on 27th January 1938 :

> "This Assembly recommends to Government to issue instructions to all departments of Government, semi-Government bodies, Municipal Corporations and Municipalities, to insert in all contracts and agreements with all manufacturers and suppliers for the supply of stores, materials, machinery or services a clause to the effect that the manufacturers concerned and the suppliers concerned shall afford or procure, as the case may be, every facility to Indian apprentices for practical training in factories, workshops or offices, owned, managed, controlled or patronised by them so as to enable the Indian apprentices to acquire a full knowledge of the technique and work of their trade, industry, calling or profession."

If action on the lines envisaged in the resolution is taken, the scope for facilities for workshop and technical training will automatically be considerably increased.

Question 24 :

My Committee have already in their preliminary remarks stated the general considerations and criteria governing the fixation of pay scales for public services. Both economic and moral considerations should be given due weight in the fixation of the salaries and emoluments of the services particularly in the lower rung.

Question 25 :

The Central Pay Commission have since made a valuable contribution to the determination of Government's policy in

regard to this matter. My Committee feel that the basic scale should be fixed with reference to normal times and should be such as would attract the required recruits of the right type and calibre. The allowances may be linked to factors like the cost of living, etc. The fixation of a minimum wage for Government servants is closely linked up with the question of similar fixation in other occupations and walks of life. It can, however, be stated as a general proposition that the minimum emoluments fixed for all categories of Government servants should be such as to enable them to maintain a reasonable standard of living corresponding more or less to the standards enjoyed by their compeers in other walks of life.

APPENDIX 86

Questionnaire issued by the Industrial and Technical Secondary Education Committee, Bombay

Letter No. 2866, dated 17th October 1947, from Chamber to the Chairman, Industrial and Technical Secondary Education Committee.

I am directed to refer to your communication No. IC|392, dated 10th August, forwarding a copy of the General Questionnaire "A" issued by the Industrial and Technical Secondary Education Committee appointed by the Government of Bombay, to make recommendations on matters relating to industrial and technical secondary education in the Province and in reply to send to you hereby the views and observations of the Committee of the Indian Merchants' Chamber on the subject-matter of the enquiry.

In this connection, my Committee understand that the Board of Technical and Industrial Training, Bombay, had recently appointed a Standardisation Sub-Committee. The Sub-Committee seem to have finished their labours and my Committee understand that they have already submitted their Report to Government. In that Report the Sub-Committee is understood to have reviewed the existing courses, the scope of the training, the extent of the co-ordination and changes necessary and made recommendations regarding the improvements and changes which would make the present courses and facilities more adapted to the practical requirements of the situation. At present, technical training is imparted in subjects such as Mechanical Engineering, Electrical Engineering, Textile Engineering, Applied-Chemistry in regard to Paints Technology, Advanced Leather Manufacturing, Photography, Paper Making, etc. Under Mechanical Engineering,

there are separate courses for specialised branches such as, Automobiles, Carpentry, Int. Comb. Engineering and Trained Maistry. Similarly, under Electrical Engineering, Electrical Technology, Radio Communication, Sound Recording, Radio Servicing, Wireless Telegraphy, Electricians' course, etc. are covered. The Textile Courses embrace all aspects of spinning and weaving. There are also certain miscellaneous courses for manufacturing Footwear, Leather goods, Typography, Tailoring and cutting, Ladies' tailoring, Embroidery, etc. The awards on completion of the courses are divided into two classes namely certificates and diplomas. The Industrial and Technical Secondary Education Committee, will have first to make a detailed investigation into the existing courses of studies and consider proposals for grouping them into more convenient sections. In that work, the recommendations of the Standardisation Sub-Committee referred to above will be of considerable help to the present Enquiry Committee, as the said recommendations are understood to have been framed in the light of the experience of the working of the present courses of instruction.

The country is on the threshold of a planned programme of industrialisation. The shortage of trained personnel had, in the past, caused difficulties in the matter of successful expansion of industries in the country. It will, therefore, be readily agreed that in view of the needs of industries in the future for skilled personnel and in order to provide full facilities for the aptitudes of those who desire a practical course of technical training, an efficient system of technical education is a matter of extreme importance. Fortunately, this aspect had been gone into in great detail by the Government of India in the year 1937. They had invited two experts namely Messrs. Abbot and Wood to survey the main fields of educational activities and to make recommendations regarding reforms necessary in the system of education available in this country. Mr. Abbot, who is considered to be a recognised authority, on technical education, had, in the report in question, made many valuable suggestions regarding the scope and content, in any organised scheme, of technical and industrial training.

Technical training in the past did not, perhaps, make much headway, partly because of the limited number of openings, which were available in the sphere of industry and commerce. Generally speaking, education in India is characterised by an over-academic atmosphere and young men of the middle and upper classes were also not free from this prejudice and were not enthusiastic in the past to industrial occupations. Fortunately, the developments during the

period of the war have brought about a salutary change in the above mental approach. The war-time expansion of industry created an increased demand for technicians and there were organised technical training schemes. The following observations of Mr. Abbot have particular significance in the present transitional stage of our economic and industrial expansion :

> " No country can initiate and carry on industries on a large scale, unless it has an adequate supply of men specially trained for the direction and management of large industrial concerns as well as of others qualified for the minor but very important supervisory posts in them. On the other hand it cannot be expected that capable and ambitious men will devote themselves to acquiring this special knowledge and skill unless they see a reasonable prospect of exercising it and gaining a decent livelihood thereby."

Generally speaking, the requirements of industry in respect of technical personnel may be classified under the following three categories :—

1. Skilled and semi-skilled artisans and operatives.
2. Supervisors, Chargemen and Foremen.
3. Designors, Executives and Managers.

The courses of technical and industrial training at present in force are mainly concerned with the first two categories. The present Board of Technical and Industrial Training is also concerned with the above two Categories. The Board is responsible for the formulation of syllabi of the courses. Attention may usefully be directed towards finding out the reforms and improvements necessary in the existing courses, so that they may be helpful in preparing skilled and technical personnel for such industries as are at the moment of great importance to the country. The courses should be brought into line with those prescribed in other industrially and technically advanced countries. For example, in regard to Mechanical Engineering, the courses should offer more advanced instruction on pattern making, smithy, fitting, etc. Some machine drawing instructions in workshop appliances and elementary engineering mathematics should with advantage be included in the course. A turner, for instance, should be trained not only to precision turning but should also be instructed in the setting up and adjustment of lathes and machine tools and the preparation and reading of drawings, etc. Institution of courses like boiler attendance and attendance of steam engines and turbines as also attendance on internal combustion engines, hydraulic engines, etc. should be

taken in hand. My Committe are mentioning these details just to indicate the need for re-grouping of the courses and a revision of the syllabi in a manner more adjusted to the practical requirements of the common needs of the occupations into which the trainees are ultimately expected to enter. The Board of Studies should also be directed to prepare not only the syllabi of studies and courses of practical instruction but also the lists of the items of plant and equipment appropriate to each trade and branch of engineering, the lists being framed with due regard to the special requirements of the trades concerned. At this juncture, the progress achieved by the various training institutions and centres may conveniently be reviewed and an effort made to standardise the courses of instruction on a co-ordinated basis.

The technical education should be both pre-employement and post-employment. Over and above providing facilities to young people, who have yet to start a career, there must also be opportunities to those already in employment for fitting themselves for positions of greater responsibility and for increasing their utility. For the latter purpose, there should be facilities for part-time technical education. A large number of operatives are taking part-time courses at the Victoria Jubilee Technical Institute, Bombay and the R.C. Technical Institute, Ahmedabad. The scheme of apprentices sponsored by the Department of Industries should also be brought within the purview of the courses, under the control of the Board of Industrial and Technical Training, so that this method of training could also be usefully integrated into the general courses of technical and industrial training.

Systematic attempts should be made to bring about a greater degree of co-ordination between industry and industrial and technical training. The services of Professional Engineering and Technological Associations should be enlisted in drawing up the courses of practical instructions. There should also be reasonable facilities to candidates for obtaining practical training in workshops on completion of their studies. At present technical education is under the administrative control of various authorities. The University of Bombay controls its own Technological Department. The Director of Public Instruction exercises control and supervision over all Government Technological Schools and Colleges. The Board of Technical and Industrial Training controls the various institutions. The Board of Management of the Victoria Jubilee Technical Institute, which is an independent non-official body, controls the educational activities in that Institute. The possibility of securing a measure of co-ordination in the spheres of activities falling under the above Authorities may well be examined.

With these general observations, my Committee would now like to proceed to reply to some of the questions in the Questionnaire.

Q. 1. It is desirable that the various Government and private institutions imparting technical and vocational training should be co-ordinated and developed on the basis of a Provincial programme, which in turn, may be based on a National programme. While co-ordination on a National basis is desirable, it is not necessary to direct such co-ordination towards attempting conditions of uniformity. The requirements and needs in different Provinces and in different centres differ and the plan of co-ordination should take due account of such differing needs. In short, while co-ordination is desirable and necessary, the same need not be directed towards achieving uniformity either Provincewise or on a National scale.

Q. 2. The programme should take due account of the developments of general education, vocational selection and guidance, prospective needs of industry for personnel and other cognate matters.

Q. 3. My Committee agree with the proposal that in order to promote this co-ordination and secure the necessary co-ordinated development, there should be a Technical Education Council in the Province.

Q. 4. The Council should include representatives of all interests concerned in the sphere of education. It should also include representatives of organisations of trade and industry as also of workers.

Q. 5. My Committee do not see the necessity of providing an initiation into the occupational life for all children on reaching a specified age. While natural aptitudes should be encouraged, a system of organised vocational and technical education should be attempted on a selective basis, particularly at the present juncture, when the facilities available for such educational courses are limited. A scheme for providing for all children some initiation into the occupational life will involve preparations and arrangements of a magnitude which may not be easily achieved in the existing conditions. The programme should be worked up in stages and at the moment, vocational and technical education should be imparted on a selective basis.

Q. 8. (*a*) It would be desirable that young workers should receive a full-time vocational education before they enter employment. Of course such a condition could be rigorously enforced only after sufficient progress has been

made in regard to facilities for imparting such education to a fairly large number of persons. The needs of each area should be settled with reference to the industries and activities in that area and it is not possible at this stage to frame a list of general application. In industrial centres like Bombay or Ahmedabad, the needs of main industries should be first attended to.

Q. 8. (*b*) Young workers who are already in employment should receive part-time vocational education in the spheres of activities pertaining to their work. Here also, the list should be framed with reference to the main occupations in the centres concerned.

Q. 9 (*a*) Where vocational training is given before employment, it would not be practicable to arrange performance of practical work under conditions as similar as possible to those of an actual industrial establishment. Some facilities for general observations with a view to gathering a general idea may be arranged but industrial undertakings are not likely to agree to students being allowed to actually handle, before training, work of a practical nature.

Q. 9 (*c*) There should be provision for some economic assistance to persons of merit attending courses of training.

Q. 10 (*a*) As mentioned above, where vocational training is given during employment, it may not be feasible to arrange for a high measure of co-ordination between the workshop and the school. Only periodical facilities for observation and demonstration should be attempted. Obviously, owners, while being anxious to promote general knowledge, cannot be expected to agree to factories being actually converted into laboratories or training grounds for experiments by prospective trainees.

Q. 10 (*b*) In works of a specialised character, wherever justified, miniature experimental workshops may be started under the regular training schools and establishments. It is not a practical proposition to require industrial establishments to set up separate workshops specially adopted for purposes of giving training.

Q. 11. There can be no two opinions about the desirability of establishing in each region, vocational and technical schools adjusted to meet the industrial requirements of such regions.

Q. 12. Facilities for students of indigent circumstances should certainly be provided but admission should not be without the prescribed fees. Wherever necessary and justified scholarships may be granted.

Q. 14. As explained in the preliminary remarks there should be courses organised in several grades for the training of different categories of works required by industrial and technical establishments. But so far as managerial staff is concerned, there should not be any separate training or course for the same. The managerial position is achieved by a developmental process as a result of the merit and aptitude shown by a particular incumbent and it is, therefore, doubtful if any scheme of specialised training for such post will automatically fit that trainee for the same.

Q. 15. There should be facilities for transfer from one school or grade to another including courses of higher technical education. When the whole programme is co-ordinated on a Provincial scale and later integrated into a National programme, there should be no difficulty in arranging for the exchange of such facilities.

Q. 16. While every effort should be made to develop theoretical knowledge with reference to particular vocation, there should not be excessive specialisation. The courses of training are intended to fit the trainee to the general framework of the vocation. More intensive specialisation will follow after the trainee devotes himself to a particular work and would be a matter of practical personal adjustment.

Q. 17 (*a*) In order to enable a worker to cultivate a wider outlook and to develop a greater sense of his responsibility to society, some education of general social value may be imparted. There should, however, not be any undue emphasis on this aspect.

Q. 17 (*b*) In the vocational courses for women, domestic science may form a part. It must, at the same time, be borne in mind that, in many cases, educated women do not seem, at the moment, interested in taking such courses for the purpose of making a living. When there is a regular demand for courses for women from prospective trainees, the domestic science may form a part of the curricula.

Q. 18 (*a*) Educational establishment should be as near to the industrial establishments as possible so as to be readily accessible to workers in employment.

Q. 18 (*b*) Attendance of workers at schools should not be included within their normal working hours. Those who are anxious to expand their technical knowledge and improve their prospects should devote the necessary time for the same outside their normal working hours.

Q. 20 (*a*) It is essential that certificates issued after examination should be co-ordinated and recognised on a

National basis. Reciprocal arrangements, as at present existing between Universities, should be attempted and when the courses and the curicula are all standardised, this aspect need not present any difficulty.

Q. 20 (b) There should be representatives of employers in the organisation set up for the conduct of examinations. Employers themselves need not, however, be the actual examiners.

Q. 21. In the present stage of development there is no need for efforts in the direction of exchanging students and apprentices. Those are matters for the future when technical and industrial education attains a fair measure of progress and popularity in the country.

Q. 24. My Committee are in agreement with the suggestion for the establishment of Regional Advisory Committees for the purpose of securing collaboration between administrative departments, vocational and technical institutions and organisations of employers and workers. Such a machinery will be of considerable help in ensuring that the entire programme is framed and pursued in a manner more fully adjusted to practical requirements from time to time. The functions and scope of work of the Committee should be very wide and should include the co-ordination of official and private efforts, general measure of control and supervision over the curricula, control and supervision over the conditions of work of persons in vocational schools, control and supervision of young persons having part-time training, and organisation of Regional Employment Bureaux to register persons awaiting employment and to supply technical personnel to the industries concerned.

Q. 25. In order to make technical or vacational education more popular and to remove any prejudice that may still be continuing, a scheme of well directed propaganda in favour of such training may be put into force. The results obtained during the period of the war by such propaganda supports that view. The film may be used as an effective medium for such publicity. Besides, by giving lectures, by posters and by methods of visual publicity, the improvement of vocational and technical training may be emphasised.

APPENDIX 87

Representation for Commerce and Industry in the Future Legislatures

Telegram, dated 30th July 1947, from Chamber to Dr. Rajendra Prasad, Pandit Jawaharlal Nehru and Sardar Vallabhbhai Patel.

Indian commercial and industrial interests seriously concerned over reported decision to discontinue special representation for commerce and industry in the future Legislatures both Provincial and Central. According to information available it would appear that Provincial Constitution Committee of Union Constituent Assembly have recommended that there should be no special representation in Lower Houses of Provincial Legislature and although for Upper House the principle of functional representation has been recognised no statutory provision is contemplated providing such representation specifically for commerce and industry. These recommendations seem to have received the approval of the Consembly. Similarly the same trend of opinion seems to prevail in so far as representation in Central Legislature is concerned. Committee, Indian Merchants' Chamber, seriously disappointed and grieved at the above decisions. The system of special representation was found to be very useful in the past and commissions and committees appointed to review the progress of constitutional reforms in the country from time to time had been quite outspoken in their tributes to the contribution made and the utility of the services rendered by representatives of commerce and industry in the sphere of legislative work. The Southborough Committee on constitutional reforms and the Lothian Committee on Indian franchise emphasised the importance of securing the presence in the Legislature of men qualified to speak with knowledge and authority on economic issues. It is conceivable that questions of an economic character will loom large in the legislative activities of the new Dominion and the presence of men with representative capacity qualified to speak on economic and commercial issues will be of considerable advantage to the country in this transitional stage. General constituencies cannot be relied on to return in sufficient numbers members with practical experience of commercial and industrial problems particularly in view of the fact that unlike other politically advanced countries party alignments on a rational basis have yet to be developed in this country. Representatives of Indian commerce in the past have always taken an enlightened interest on the broader issues affecting the national regeneration of the country and there is no warrant for the fear that special representation for them would in any way

detract from the democratic character of the composition of the houses of the legislature or be inconsistent with fundamental ideas of principle governing franchise. Functional representation even if not widely in vogue is a recognised form of representation of special interests and in the particular circumstances of this country in these formative stages it would be unwise to discard the system merely on ideological considerations. Committee earnestly submit that the leaders will be good enough to review the problem dispassionately and include such provisions in the Constitution Act as would permit of special representation for commerce and industry being continued in the Houses of Legislature both in the Centre and in the Provinces at least for a given period of years in the beginning.

Letter No. 2462, dated 11th September 1947, from Chamber to the Hon'ble the President, Constituent Assembly of India, New Delhi.

I am directed by the Committee of the Indian Merchants' Chamber to submit, for your kind consideration and for the consideration of the Constituent Assembly and the appropriate Committees of that Assembly dealing with the problem, the following memorandum on the question of representation of Indian commerce and industry in the future Houses of Legislature in the Centre and in the Provinces under the provisions of the new Union and the Provincial Constitutions.

2. My Committee may in this connection be allowed to recall that on 13th July last they had submitted a representation by telegram to the Honourable the President urging the continuation of special representation for commerce and industry in the future Legislatures, both Central and Provincial. They had pointed out that the system of special representation had in the past been found to be very useful and that Commissions and Committees appointed to review the progress of Constitutional Reforms in the country from time to time had been quite outspoken in their tributes to the contribution made and the utility of the services rendered by representatives of commerce and industry in the sphere of legislative work. They had drawn the attention of the Constituent Assembly to the authoritative expressions of opinion by the Lothian Committee on Indian Franchise, when they urged the importance of securing the presence in the Legislature of men qualified to speak with knowledge and authority on economic issues. General constituencies obviously cannot be relied on to return in sufficient numbers members with practical experience of commercial and industrial problems, particularly in view of the fact that unlike other politically advanced countries party alignments on a rational basis

have yet to be developed in this country. Particularly at a juncture like the present when questions of an economic character will loom large in the legislative activities of the new Dominion and in the Provinces, the presence of men, with representative capacity qualified to speak on economic and commercial matters would be of considerable advantage to the country in the accomplishment of the task ahead and the realization of the objectives underlying any planned programme of progress.

3. It transpires that the Constituent Assembly has, however, ultimately decided that functional representation shall in the future be confined to the Upper Houses, both in the Union and the Provinces, and that there shall be no special representation for any interests in the Lower House either in the Centre or in the Provinces. While my Committee still adhere to the view that direct representation for commerce and industry in the Lower Houses has its own justification and would have been of special value in the present stage of transition, they have inevitably to take note of the decisions which have already been taken by the Constituent Assembly, and will confine their observations to matters of detail connected with the nature and constitution of the Functional Panels or Constituencies for the purpose of the representation already agreed to.

4. It would appear that in the Union Council of States not more than 25 members will be returned by Functional Constituencies or Panels on the lines of the provisions in the Irish Constitution and the Union Constitution Committee is expected to submit to the Assembly proposals regarding the delimitation of Constituencies for the purpose. Similarly, in the Provincial Legislature, wherever an Upper House is to be constituted, one half of the numerical strength allotted for functional representation is to be returned by election by special constituencies on the Irish model. My Committee presume that an adequate number of seats will be allotted for the representation of commerce and industry under the above scheme of things, both in the Union Council of States and in the Upper Houses of the Provincial Legislatures of the Provinces concerned.

5. So far as representation of commerce and industry is concerned, the method of representation through Chambers of Commerce and Associations has worked well in the past. The Southborough Committee on Constitutional Reforms had expressed their considered view that the method of representation to commerce should be through representative organizations. The Indian Franchise Committee appointed in connection with the 1935 Reforms also recognized the importance

of organized bodies being chosen as the medium for special representation. Similarly, some of the Delimitation Committees then appointed had also recommended that if commercial interests were to be adequately represented in the Legislature, the member for the Commerce Constituency ought to be in a position to speak with the authority of a representative Chamber or Association behind him. My Committee, therefore, submit that the Constituent Assembly should adhere to this method of representation, so far as commercial interests are concerned, and select organized Chambers of Commerce as the Constituencies for the purpose of returning such representatives.

6. Having stated the general case for the continuance of the method of representation through organised Chambers, my Committee would like to place before the Constituent Assembly the claim of the Indian Merchants' Chamber, Bombay, for being selected as a Constituency for the purpose of direct representation both in the Union Council of States and in the Upper House of the Provincial Legislature in Bombay. This Chamber was established in the year 1907 and was almost the first corporate organization representing general interests of Indian trade, commerce and industry all over India. Under the Montagu-Chelmsford Reforms scheme, the Chamber was given the seat allotted for Indian commerce in Bombay in the Legislative Council. This Chamber again is the only body which enoyed the privilege of an exclusive and continuous seat representing Indian commerce in the Central Indian Legislative Assembly. Under the 1935 Government of India Act also the Chamber was selected as the Constituency for representation of commerce both in the Central Legislature and in the Provincial Legislature. It is relevant in this connection to refer to the following observations made by the Delimitation Committee in Bombay at the time of the 1935 Reforms. They stated: "If special representation is to be given to commerce, it is, in our opinion, essential that the Associations which form these Constituencies should be well-established and of such standing and importance that they could be relied upon to send to the Assembly as their representatives men of outstanding ability and experience, whose expert knowledge would be of help to the Legislature. . . . The Indian Merchants' Chamber is, in our opinion, fully representative of the interests of Indian commerce generally and is best fitted to represent these interests in the Provincial Legislatures". The representatives elected by the Chamber, both in the Indian Legislative Assembly (Central), and the Bombay Legislative Assembly, who have been on the whole men of great talents and capacity, contributed materially to the legislative work in the respective spheres. They

have besides successfully voiced the sentiments and feelings of the Indian commercial community, and there has been no occasion on which the representative character of the members returned by the Chamber has in any way been challenged or questioned. The Lothian Committee on Indian Franchise, after reviewing the claims made in respect of special representation on the last occasion, observed that: "The commercial and industrial organisations now recognized for the purpose of representation in the Legislature are in our view fully capable of representing interests of industry and commerce as such". My Committee, therefore, submit that on grounds both of its pre-eminent position as a leading and well-organized Chamber representing commercial and industrial interests and of the record of service it has rendered through its successive representatives in the Legislatures, the claim of this Chamber for being selected as the medium for representation for a seat in the Central Upper House and for adequate number of seats in the Provincial Upper House in Bombay is justified and is in accord with the avowed object of the method of special representation so as to secure the presence in the Legislature of members with representative capacity.

7. My Committee may here be allowed to make some reference to the present organisational position and strength of the Indian Merchants' Chamber. As mentioned before, the Chamber was established in the year 1907. It has since the Montagu-Chelmsford Reforms been represented both in the Central Legislative Assembly and in the Provincial Legislature. In addition, the Chamber enjoys the privilege of sending representatives to various Public Bodies, such as the Indian Central Cotton Committee, the Board of the Bombay Port Trust, Bombay Municipal Corporation, Senate of the University of Bombay, Local Advisory Committees of the Railways, Governing Body of the I.M.M.T.S. "Dufferin", the Indian Sailors' Home Committee, Board of Communications, Traffic Advisory Committee and several other official and advisory organisations. The Chamber has a general membership of over 2,300 spread all over the country. Its membership is not confined to the Province of Bombay. The Chamber represents more than 75 different types of trades and business, and has on its own roll a number of leading Joint Stock Companies and Corporations, including all the leading Banks, Insurance Companies, Shipping and Industrial undertakings. Besides, 106 trade Associations representing different trades, such as grain, seeds, sugar, rice, bullion, iron, chemicals, yarn, machinery and stores, paper, silk, cloth, oils, electrical goods, etc. are affiliated to the Chamber as members. The total strength of the affiliated Associations runs into thousands. In

a practical sense thus, the representatives elected by the Chamber can be deemed to be representatives of the large number of Associations representing different branches of trade and commerce affiliated to it. The organization of the Chamber is thus very broad-based, and by recognizing the Indian Merchants' Chamber as a Constituency for purposes of representation in the future Houses of Legislature, Government would be affording representation to all branches of economic, trade and industrial activities.

8. I am directed to send herewith a copy of the List of Members of the Chamber including the List of Associations affiliated to it, in order to convince the Constituent Assembly of the nature and extent of the activities represented within the ambit of this Organization.

9. My Committee hope that the Union Constitution Committee and the Constituent Assembly will readily recognize the claim of this Chamber for being selected as one of the Constituencies for direct representation of commerce and industry in the Houses of Legislature both in the Centre and in the Province of Bombay.

Letter No. 739, dated 12th March 1948, from Chamber to the Honourable the President, Constituent Assembly of India.

The Committee of the Indian Merchants' Chamber wish respectfully to invite your attention to the communication No. 2462, dated the 11th September 1947 addressed by them to your good self submitting for your consideration their views and suggestions on the question of representation of Indian commerce and industry in the future Houses of Legislature in the Centre and in the Provinces under the provisions of the New Constitution of India. I am directed to send to you hereby a copy of the said communication for your ready reference.

My Committee may be allowed to point out that they had submitted therein that direct representation for commerce and industry in the Houses of Legislature would be of special value to the country particularly in the early stages of the working of the new Constitution, that so far as representation of commerce is concerned the provisions in the new Constitution should adhere to the method of representation through recognized Chambers of Commerce and that in the formation of functional panels for representation of special interests adequate number of seats be allotted for representation of commerce and industry in the Centre and in the States.

They have examined the provisions in the Draft Constitution of India as submitted by the Drafting Committee relating to the composition of the Houses of Parliament and the

Legislatures in States. They cannot help expressing their feeling of disappointment and surprise that the said provisions, in so far as they relate to representation of special interests, constitute a departure from the previous position understood to have been agreed to by the Constituent Assembly in the earlier stages of the discussion of the matter. Thus, on the recommendation of the Union Constitution Committee, the Assembly had agreed that the "strength of the Council of States shall be so fixed as not to exceed one-half of the strength of the Houses of the People; not more than 25 members of the Council shall be returned by functional constituencies or panels constituted on the lines of the provisions in Section 18(7) of the Irish Constitution of 1937". Similarly, the Report on the Principles of the Provincial Constitution had recommended that there woud be, within certain limits, functional representation in the Upper Houses of the Provincial Legislature on the lines of the Irish Constitution. This recommendation was also accepted by the Constituent Assembly. Obviously, therefore, the Constituent Assembly had agreed to in principle that there would be functional representation on the Irish model in the Upper Houses, both at the Centre and in the Provinces. Under the Irish Constitution, industry and commerce, including banking, finance, accountancy, engineering and architecture, is one of the panels for purposes of functional representation. It was, therefore, generally assumed that the Draft Constitution would include suitable provisions to give effect to the above decisions and that both in the composition of the Houses of Parliament and of Legislatures in States adequate representation would be given to commerce and industry in the final determination of the functional panels.

The Drafting Committee, appointed by the Constituent Assembly to prepare a Draft of the New Constitution on the basis of the decisions taken by the Assembly from time to time, have, however, thought it fit to vary the decisions referred to above in material respects. In the covering Report, the Drafting Committee observe that "according to a decision taken by the Constituent Assembly, the Council of States was to contain not more than 25 members to be elected from the panels of constituencies on a functional basis. The panel system having hitherto proved unsatisfactory in the country from which it was copied (Ireland), the Committee has thought it best to provide for 15 members to be nominated by the President for their special knowledge or practical experience in literature, art, science, etc. The Committee considers that no special representation for labour or commerce and industry among these nominations is necessary, in view of the fact that they are certain to be adequately represented in

the elected element of the Union Parliament owing to adult suffrage". Thus, as far as the Council of States is concerned :

(a) the seats allotted for functional representation have been reduced from 25 to 15 ;

(b) instead of such seats being filled up by election from panels of constituencies on functional basis, it is now proposed that they should be filled up by the process of nomination by the President ; and

(c) even in regard to the seats to be so filled by nomination, representation for commerce and industry is excluded by omission from the special interests sought to be represented and specifically enumerated in the provisions of Article 67 of the Draft Constitution.

In explaining these changes, the Committee in their footnote to the Articles again observe that "since the Committee has had to substitute nominations for Election and as the Committee thinks that no special representation for labour or commerce and industry is necessary, the Committee is of opinion that it will be enough to provide for 15 nominated members".

Again, changes of a similar nature have been made by the Drafting Committee in the matter of the composition of the Provincial Legislative Councils. Article 150 of the Draft Constitution prescribed that one-half of the members of the Legislative Council of a State (Province) shall be chosen from panels of candidates constituted under Clause (3) of that Article. Here also, in prescribing the panels, the Drafting Committee have excluded commerce and industry. The five panels from which the candidates representing functional interests would be chosen are specifically mentioned as (1) Universities, (2) Literature, Art and Science, (3) Agriculture, Fishery and allied subjects, (4) Engineering and Architecture, and (5) Public Administration and Social Service. My Committee consider the changes effected by the Drafting Committee as referred to above as inappropriate.

The explanation offered by the Committee for eliminating the proposal for functional panels for the Council of State in the Centre is that the panel system of Election in the Irish Constitution has proved unsatisfactory in practice. It is, however, difficult to reconcile this with the provision in Article 150 relating to the Provincial Council of State wherein they have definitely prescribed the panel system for election of functional representatives. If election by functional panels is suitable for the Provincial House, it involves an ele-

ment of self-contradiction to suggest that the same system is not suitable for the Upper Council of State.

Again, the Drafting Committee have thought it fit to specifically exclude commerce and industry for representation even by the process of nomination "in view of the fact that they are certain to be adequately represented in the elected element of the Union Parliament owing to adult suffrage". The same argument can be advanced for the abolition of functional representation for all other interests also. Moreover, the above expectations are not justified by the experience in regard to the existing composition of the Constituent Assembly.

Similarly, in the case of the Provincial Legislative Council, after having prescribed functional representation and after having suggested special constituencies for the election of such functional representatives, the Draft Proposals seem to have ignored the importance of trade, commerce and industry in that the same has not come in for being included as one of the functional panels.

The Committee of my Chamber are of the considered view that the proposals as embodied in Articles 67 and 150 of the Draft Constitution of India governing the composition of the Houses of Parliament and of the Legislative Councils, apart from involving an element of injustice to an important section of the community, will result in depriving the future Houses of Parliament, both in the Centre and in the Provinces, of the contribution and service of representatives with practical experience in the special problems with which they are directly concerned. The viewpoint that such special interests will be adequately represented in the elected element from General Constituencies, besides being contrary to the views and opinions authoritatively held in the past, is not justified by the actual realities of the situation. Particularly, at a juncture like the present when questions of an economic character will loom large in the legislative activities of the new Dominion and in the Provinces, the presence of men with representative capacity, qualified to speak on economic and commercial matters, would be of considerable advantage to the country.

My Committee earnestly submit that the Constituent Assembly of India will be good enough to give their kind consideration to the point of view urged herein and to so modify the Draft Proposals submitted by the Drafting Committee as to secure adequate direct representation for trade, commerce and industry in the Houses of Legislature, both in the Centre and in the Provinces, organized Chambers of Commerce being chosen as the medium for such special re-

presentation. My Committee further request that your good self will be pleased to commend their above submission for the consideration of the House when it meets to settle the final terms and provisions of the New Constitution of India.

APPENDIX 88

Proposals regarding Provision of Free Legal Aid to Private Persons of Moderate Means in Civil and Criminal Cases

Letter No. 1458, dated 6th June 1947, from Chamber to the Home Department, Government of Bombay.

I am directed to refer to your letter No. 1694/5-B of the 21st February 1947 on the above subject and in reply to send to you hereby the views of my Committee on the proposals to provide facilities for free legal aid to private persons of moderate means in civil suits and criminal cases.

My Committee have examined the suggestions contained in the letter from the Government of India dated the 11th December 1946 addressed to the Provincial Governments. They have also examined the main recommendations of the Rushcliffe Committee Report on legal aid recommended for the U.K. The Rushcliffe Committee was appointed to enquire into the adequacy of the existing facilities in England and Wales for giving legal advice to poor persons and make recommendations as would be necessary for securing that poor persons in need of legal advice are afforded the necessary facilities. It appears that in the U.K., pending legislation to implement the recommendations of the Committee, necessary action extending the scope of relief has already been taken by executive orders.

The facilities now available in India in the matter of legal aid for indigent persons are comparably even less. In fact, under the Indian regulations, one who is deemed a "pauper" and is not able even to pay for the Court Fees in respect of any legal proceedings is allowed, subject to stringent restrictions, remission of Court fees payable by him. Beyond this, the petitioner in question is not even deemed entitled to any legal assistance for conducting the proceedings resulting from the petition. Some restricted relief in respect of legal aid for accused persons in criminal cases is also in force. My Committee realise that these provisions do not meet the requirements of the situation and that in order to secure that legal redress is not denied to citizens, because of their inability to pay for the representation of their case in a legal manner, it is very essential that Government should lose no further time in placing on the statute book a measure which would enable persons with moderate means to be

properly represented in civil suits and criminal cases. My Committee, therefore, welcome the move of the Government of India in the above direction.

My Committee are of the opinion that there should be statutory provision for securing legal aid to persons of limited means. The legislation should, therefore, be undertaken by the Central Government on an All-India basis so as to secure the necessary measure of uniformity. The financial and administrative responsibilities for implementing the scheme and giving effect to the All-India provisions, should devolve on the provincial administrations.

My Committee feel that all persons with an income of only Rs. 2,500 per annum should receive free legal aid, both in respect of Court costs and costs for legal advice and representation. At this stage, partial relief either by waiver of Court Fees alone or by grants in part to meet the cost of litigation or petition will not meet the requirements of the case. Full relief comprising both the Court Fees and the incidental expenses in representation should be made available. If necessary, a schedule of rates for expenses in such free aid cases may be fixed so that there might be an automatic check on the amount that may be claimed so far as the personal costs of litigation are concerned.

As my Committee have already observed, the entire cost of the scheme should be borne by the Provincial Government. However, when the legal action or the petition results in success to any party receiving aid, the relief awarded as costs should be paid back to the authorities from whom aid was received. Obviously, the legal costs having been met by a public authority, it is but fair to expect that the party concerned, when he is awarded payment in respect of such costs, the amount so awarded should be paid back to the organisation from which the aid was received.

My Committee suggest that the scheme should be administered by the Law Society or similar bodies and in the mofussil centres where there are no such organizations, an *ad hoc* Committee elected by the Bar Association may be entrusted with the work. In a number of cases, perhaps, Government might be the opposing party. It is, therefore, felt that the scheme will not inspire confidence in the public if it is administered departmentally by Government themselves. To obviate the above difficulties, it is suggested that the administration of the scheme may be entrusted to an outside independent agency as mentioned above.

It is hoped that Government will be good enough to consider the above suggestions and to sponsor the necessary legislation at an early date.

APPENDIX 89

Steps for Preserving and Maintaining Internal Security

Letter No. 3169, dated 22nd November 1947, from Chamber to the Home Department, Government of Bombay.

I am directed by the Committee of the Indian Merchants' Chamber to address Government on the question of the desirability of an organized attempt to enlist and secure the services of the civilian population for assisting the Police and other official forces during periods of stress and strain in the maintenance and preservation of law and order in the City. The events of the last few days and particularly the experience of the tragic happenings in some of the other centres of the country after the 15th August last reinforce the need for this aspect of the problem of internal security being considered and tackled on a systematic and organised manner. The country has won freedom, but in order that the opportunities afforded by political freedom for accelerating the progress and development of the country may be fully utilized, it is necessary to ensure that chances of any threat to orderly day-to-day life are minimised by enabling the people to acquire a sense of greater reliance on self-help and self-organization. There are obviously natural limits to the extent to which Police and Military assistance and protection can be immediately available in times of a general upheaval or a crisis. On such occasions the assistance and help of any auxiliary organization for assisting in the preservation of law and order should indeed be welcome. My Committee are aware that Government have recently instituted the Home Guards Organization, which in fullness of time may be expected to considerably strengthen the resources and machinery of Government in such times of emergency.

2. In this connection, a scheme has been placed before my Committee by one of their members, Mr. B. K. Shah, aiming at the creation of a body of trained personnel drawn from employees working in commercial organizations, public and quasi-public offices and establishments. Under that scheme, all organizations employing 100 or more persons would be expected to institute a schedule of compulsory training for their employees and every trained member would be under an obligation to serve the State when called upon during an emergency. The form, scope and extent of the training, the nature of the duties expected to be discharged, the conditions under which exemption should be granted from such obligation, are all matters of detail which may be suitably adjusted and settled by Government. The central feature of the scheme would be that an employer employing more than a

prescribed number of employees would be under a legal obligation to arrange for the training of such employees and the employee would in duty be bound to make his services available to the authorities whenever required. My Committee realize that the scheme envisages an element of compulsion, but in the larger interests of the country, particularly in a period of transition like the present, they have no hesitation in saying that such compulsion is unavoidable, if the scheme is to succeed and the object realized.

3. I am directed to send you herewith a copy of the scheme as prepared by Mr. B. K. Shah. I am also to add that my Committee are in general agreement with the central feature and the main outlines of the scheme. My Committee would request Government to examine the proposal in all its implications and take early steps to bring about the organization of such a cadre of service available for use in times of emergency, with the least possible delay.

SCHEME PREPARED BY Mr. B. K. SHAH

Security, both Internal and External, has taken the first place among the difficult problems the Central and Provincial Governments face today. The gravity of the situation needs no explanation, nor the fact that orderly Government, peace and security are vital to the life of the nation, particularly at this stage when all our national endeavour and resources have to be mobilised towards the solution of the difficult problems the country is facing.

This is, therefore, the problem the Nation must face first and right now, if the newly-born State is to survive.

The problem of security divides itself into two parts :—

1. Internal Security.
2. External Security.

Internal security has become a matter of supreme importance in the existing conditions.

No police force or military can be expected to cope with this problem on any adequate basis.

It is not sufficient to freely arm individual citizens to protect themselves. Giving of arms may be useful under certain conditions, but it cannot solve the present problem.

It is widely felt that the problem can be tackled by creating organised groups of responsible people, disciplined and humane, and conscious of the paramount importance of security and peace to the national well-being. They should be given adequate military training and called up, when conditions demand, to enforce security and peace.

The Bombay Government have made a beginning in this direction by the institution of Home Guards. Under this scheme, which is voluntary, and which depends for its success entirely on the enthusiasm of individual citizens, enrolment and training have been, and are likely to be on a very restricted scale. The urgency of the problem and the imminence of danger from various directions do call for a revolutionary approach to the problem and far more speedy and effective measures.

The problem of External Security is as acute, and it is reasonable to presume that the chances of an external attack on India would be in an inverse ratio to the preparedness and strength of the country.

It need hardly be emphasised that Internal and External Security can only be ensured by a nation-wide compulsory military training under which every person will know how to bear arms in the event of a national emergency.

Preparation of plans for a compulsory training of able-bodied nationals for military service will take time. Pending the preparation and institution of compulsory military training on a nation-wide scale, the Government will have to take immediate measures to enrol as large a number of responsible citizens as possible to maintain security in the present circumstances.

The easiest way to do this would be to call upon every commercial organisation and Public and Government establishment, employing an administrative staff of 100 and more, to institute a scheduled compulsory military training on the following basis.

1. The scheme shall be under the aegis of the Government.
2. Every member to be trained under the scheme shall give an undertaking to serve the State when he is called upon.
3. The employer shall be responsible for training of every member and shall execute all the instructions of the Government except when on duty.
4. Every trainee shall undergo an 8 hours' training every week, and a training for a consecutive period of a fortnight a year.
5. After the trainee has undergone full training, he shall be required to undergo a duty of 4 hours a week and a consecutive service for 10 days a year.

The total personnel coming under this scheme in the City of Bombay is not likely to be less than 30,000 people—an adequate force to make people of Bombay feel and breathe security and peace.

The employer of each Group shall be required to make necessary arrangements to train up these employees one hour a day for the 5 working days and 3 hours on Saturday or Sunday.

Every trainee in these Groups will have a good standard of education, will be disciplined and will be conscious of the paramount importance of security and peace to national well-being. He is, therefore, bound to constitute a very sober element in the National Militia. Although made of a soft fibre, he can be hardened by constant practice and training.

This Group will constitute to be the nucleus for a more extensive organisation in the Bombay City, and the large number of educated people trained, may offer a very good material for the selection of personnel for higher cadres.

It need hardly be pointed out that in the solution of the Country's giant problems of illiteracy, economic and social uplift, mobilisation of the Nation's intelligensia would be essential. If the above organisation is created, it will ideally fulfil this need.

APPENDIX 90

Complaints about Assaults on the Technical Staff of the Textile Mills

Letter No. 1741, dated 3rd July 1947, from Chamber to the Home Department, Government of Bombay.

I am directed to draw the attention of Government to the recent occurrences in the textile mills in connection with assaults on the technical employees of mills by mill operatives. Government are well aware that as a result of such assaults, grievous injury and loss of life has also taken place. My Committee have given consideration to these manifestations of aggressiveness on the part of mill operatives and the serious consequences that would result if due efforts were not made by Government to check the growth of such a practice. Generally, these assaults are directed towards the officers who are responsible for discipline and orderly behaviour of the operatives working under them. If the mill operatives have a grievance against their heads and chiefs of the Departments in which they may be working they have an inherent right of claiming redress through the channels provided for such purpose. It could not be tolerated, however, that the mill-hands may be allowed to take the law into their own hands and inflict injury and loss of life. It may be also pointed out that in the circumstances prevailing at present such officers and chiefs in the mills work under conditions of great insecurity. They are called upon by virtue of their

office to control labour which may at times be found unruly and dangerous to life and property. The mill authorities are obviously under limitations and cannot afford adequate protection to their officers without active assistance from Government who have the resources to do so.

My Committee, therefore, urge that Government under the stress of the prevailing situation should take strong action and devise ways and means by providing deterrent punishments for such wanton acts with a view to check this rising evil. They may in consultation with the mill authorities provide for Police guards to protect the technical staff of the mills. Machinery may be set up to bring to book the culprits by summary trials and the judicial authorities may also be persuaded to inflict heavy punishments. They may also provide for roping under law such persons who may be found responsible for instigating such acts of wanton cruelty and violence.

Letter No. S.D.II|628, dated 28th August 1947, from the Home Department, Government of Bombay to Chamber.

With reference to your letter No. 1741, dated the 3rd July 1947, requesting Government to take strong action to prevent further repetitions of the assaults by mill-hands on their officers which have recently occurred and to afford the officers protection against such assaults, I am directed to state that the Police are already taking the necessary measures to check this evil. They are making every effort to ascertain who are the individuals responsible directly or indirectly for these acts of violence in order to proceed against them, but this is proving difficult as mill officials are loath to disclose the identity of such persons or to give evidence. It is not practicable for the Police to provide guards for the staffs of mills, but the situation will be watched and *ad hoc* arrangements made by them as necessary.

APPENDIX 91

Property and Trade Goods lying in Pakistan Area

Letter No. 2849, dated 16th October 1947, from Chamber to the Ministry of Relief and Rehabilitation, Government of India.

Government's attention must no doubt have been drawn to the position in which many owners of trade goods and other movable properties had to migrate from Pakistan territory under the stress of the developments of the last few weeks after the 15th of August leaving all their possessions including movable properties and trade goods. It appears that there are also many cases in which goods imported and

landed at Karachi for distribution throughout the country including centres in the Indian Union are at the moment in a state of being frozen under orders from Pakistan authorities. The Standstill Agreement, which is supposed to govern trade movements between the two Areas, was among other things intended to ensure that the Authorities of one part did not impose any restrictions or put any barrier on the flow of trade from that part to the other. The requirements of the Agreement are not being respected both in letter and in spirit. It is a matter which the Government of the Indian Union should take up with the Government of Pakistan at the highest level and ensure that all movable and trade goods lying in Pakistan are allowed to be moved to such places and centres as the owners of such goods may choose.

If, however, the Pakistan Authorities find it necessary to retain any of the trade goods now lying in their territory for reasons connected with the sustenance of the internal economy of Pakistan, it should at least be definitely provided that the Pakistan Government would arrange for the immediate payment of the full value of the goods and properties so detained under official orders. In short, either the owners should have full freedom to remove the goods or if the goods are detained for reasons of larger policy, they should be fully paid for without any loss of time.

While on this it would not be out of place to mention that even normally all the goods imported through the Port of Karachi are not intended for use or consumption within the Pakistan area. Karachi is an important centre of entrepot trade. Goods meant for distribution all over the Indian Union are, according to the convenience of the trade and the shipping facilities available, from time to time imported at that port. Even, therefore, if the Pakistan Authorities suggest that some of the goods so detained are necessary for sustaining their own internal economy, Government should emphasise the above aspect and see to it that, at any rate, all goods surplus to the immediate requirements of the Pakistan Authorities are allowed to be moved to India.

The question of arrangements for the registration of other kinds of property including immovable property left by people, who have migrated to the Indian Union is also of very great importance. There is at present an all-round feeling of nervousness and uncertainty prevailing and many of those who have come out of Pakistan area feel apprehensive about the future of the property left by them, about prospects of their getting compensation, and about the arrangements for the registration and preservation of such properties. My Committee would like to have information in regard to the steps that have already been taken by the Government of

Indian Union in regard to the above matter. An early announcement on this aspect is also requested.

Letter No. 3476, dated 20th December 1947, from Chamber to the Ministry of Relief and Rehabilitation, Government of India.

I am directed to invite the attention of Government to the communication addressed by my Committee to your Department, dated 16th October 1947 in regard to the difficulties experienced by the merchant community as a result of the partition of the country. They had therein stressed the hardships of the commercial community emphasizing the following points :

(1) Disposal of goods imposed and landed at Karachi for distribution throughout the country, including centres in the Indian Union ;

(2) the Standstill Agreement arrived at between the two Dominions in regard to trade, commerce, finance and tariff not being honoured by the Pakistan authorities ; and

(3) the need for the Government of India to take up immediately with the Government of Pakistan questions of dispute arising from non-observance of mutual trading obligations, etc.

Subsequent to the letter under reference, my Committee have received further complaints in regard to the above difficulties. With a view to apprise Government regarding the nature of hardships suffered by the merchant community as a result of the partition, my Committee feel that it would be appropriate at this stage to inform them of the specific types of such difficulties which are briefly as under :—

1. *Messrs. Chimanlal Desai & Co., Bombay* :

The Company imported at Karachi some consignments of spark plugs. The Letter of Credit opened in Bombay in regard to the goods was paid by them in Bombay. Subsequently, the goods were landed at Karachi and the Sind Government banned the movement of goods out of Karachi, as a result of which the firm was placed in great difficulties.

2. *Messrs. V. B. Kusumgar & Co. Ltd., Bombay* :

They sent a consignment of cycle spare parts to Karachi by sea and sent the relative documents through the Bank. The buyer, however, under the difficult conditions prevailing there did not honour the draft and was not even found at the place of his address. Naturally, under the circumstances, the company would desire their goods to be sent back. As

the Government of Sind have restricted export of such goods the firm was unable to get the goods back to Bombay.

3. *Messrs. Bholabhai Bhogilal, Ahmedabad* :

The Company had sent to Sialkot a consignment of cloth bales. The importer at Sialkot which is now in Pakistan, is not traced and the goods are now lying in Pakistan territory without the possibility of getting them back into the Indian Dominion.

4. *Central Auto Stores, Lahore* :

The firm has, since the disturbances started, migrated to Bombay. They are Branch distributors of General Motors (India) Ltd. General Motors had despatched to Lahore against their order certain number of cases containing spare parts for delivery at Lahore. Before the goods reached Lahore, the firm had shifted to their Head Office in Bombay. The goods appear to have been requisitioned by the Provincial Motor Transport Controller, Lahore, who was requested by the party to send the value of the goods against relevant invoices. Since then, the firm has not received any information regarding the consignment which is valued at Rs. 24,061.

5. *Messrs. G. U. Mehta, Bombay* :

The party sent some cases of medicine to Lahore under a Railway Receipt to Dr. Jaisingh & Sons, Chemists, Lahore. The goods were not taken delivery of and the R|R was duly returned. Mr. Mehta sent the R|R to the Station Master, Lahore, for the purpose of getting the goods re-railed to Bombay. In reply, the party received advice to the effect that they should take delivery of the cases at Lahore station, failing which the goods would be disposed of as per the rules and regulations of the railway company.

6. *Representation dated 10-12-1947 submitted to your Department by the All-India Radio Merchants' Association, Bombay, in the above connection* :

There are a number of points discussed in the above memorandum which require careful consideration, especially in regard to import applications made by the Radio importers in Pakistan territories.

The above are some of the types of complaints which my Committee have been receiving from time to time since the partition of the country. It will be observed that they chiefly relate to the payment of goods which had been sent to Pakistan territories, but which were not claimed by the parties to whom they were sent and which remained in the possession of the Pakistan authorities. As you are aware, the Pakistan

authorities have in most cases requisitioned such goods, payment for which has not been forthcoming. My Committee feel that such complaints have now become general and can be set right only by the Government of India taking up the question on broad lines with the Government of Pakistan for early solution.

While on this, my Committee would like to refer to the favourable press reports that both the Dominions have come to an agreement in regard to most of the Partition matters, and they feel that a solution of the difficulties experienced by the Indian traders of the nature described above should not be difficult to achieve.

They would, in this connection, like to draw the attention of Government to the case of the Associated Textile Engineers, Bombay, who had consigned one case of copper rollers to Karachi. They had directly approached the Customs authorities at Karachi as also their Clearing Agents, Messrs. Mackinnon Mackenzie & Co., Karachi, for re-despatch of the goods sent to Karachi. They received the following reply from the Assistant Collector of Customs for Imports, Karachi :

> " The request for transhipment to Bombay cannot be granted. It is, however, open to you to pay duty, clear and re-ship the consignments to Bombay direct from the wharves in the absence of the usual Customs formalities."

The above is a case in which the Pakistan authorities seem to have taken a sympathetic attitude in some measure while agreeing to re-despatch the goods to the original owners. It is not clear as to what is meant by " in the absence of the usual Customs formalities ". Anyway, my Committee would draw the attention of Government to the above relaxation made by the Customs authorities in Karachi and would urge that the Government of India would follow it up in the interests of the trading community in general.

APPENDIX 92

Immigration Restriction Bills in East African Territories

Letter No. 2248, dated 22nd August 1947, from Chamber to the Commonwealth Relations Department, Government of India.

The Committee of the Indian Merchants' Chamber had addressed Government last year on the Immigration Restriction Bills that were introduced in the legislatures of Kenya, Uganda, Tanganyika and Zanzibar. They had pointed out in the course of that representation that although the pro-

posed East African Immigration Restriction measures were claimed to be non-racial and non-discriminatory in form, they would, in practice, affect the Indians most adversely and that the real motive behind the Bills was not, as stated in the statement of objects and reasons appended to the bills, to protect the African Interests, but to enable the white settlers to monopolise the commercial and other fields of activity by shutting out Indians from the East African territories. The Committee, therefore, had urged Government to take timely and effective steps to free from restrictions not only prospective Indian immigrants to East Africa, but also to safeguard the rights of Indians already resident in that country, from the proposed humiliating and discriminatory pieces of legislation.

As you are aware, the Indian Delegation that was sent by the Government of India to East Africa in 1946 in connection with the Immigration Restrictions Bills, after a detailed examination of the whole question of immigration into East Africa in all its aspects in consultation with the various East African Governments and other public interests there, have come to the definite conclusion that there is no necessity or justification for the introduction of any immigration restrictions such as those contemplated in the bills in question. The East African Governments, however, instead of withdrawing the bills, intend to proceed with their enactment with certain minor amendments introduced therein " in the light of certain amendments suggested by the various public bodies and individuals in East Africa and by the Indian Delegation ". I am, therefore, desired by my Committee to address Government once again on the subject, drawing their attention to this matter of vital interest to the Indians and urging them to do everything in their power to prevent the bills under reference from being put on the Statute Book.

My Committee have examined the revised Immigration Restriction Bill of the Kenya Government and find that it still contains certain objectionable features. The capital requirements for new immigrants, for instance, have been reduced for various occupations in the revised bill. In respect of Trade, however, the amount of £800 is still high from the point of view of Indians wishing to go to East Africa as Tradesmen. As observed in the report of the Indian Delegation to East Africa, even a sum of £200 will be very high for Indians. The revised bill prescribes one and the same amount, viz. £800 for Agriculture, Mining and Trade. As a matter of fact, Trade requires a smaller capital than Agriculture and Mining. The capital requirements for Trade should, therefore, have been fixed at a lower figure than for Agriculture and Mining. At any rate my Committee do not see any

need or justification for the provision, fixing minimum capital requirements for immigrants going to the East African territories for business, in view of the fact that there is already a trade licence fee of six hundred shillings per annum in those territories.

There is another objectionable feature retained in the revised bill which calls for serious attention. A person who is granted an entry permit for any particular occupation must engage in that occupation only. He cannot afterwards change his occupation if he so desires. My Committee feel that this is a very harsh condition and will kill all initiative and enterprise of immigrants.

The revised bill contains new provision which requires persons desirous of going to the East African territories for the purpose of any occupation, to obtain a certificate from the prescribed authority to the effect that the engaging by him in that occupation will not be to the prejudice of the inhabitants generally of the territories. This provision, according to my Committee, is most objectionable, inasmuch as it would place a new hurdle in the path of Indians wishing to go to East Africa for business purposes.

The Immigration Restriction Bills of the East African Governments, my Committee reiterate, have been actuated by anti-Indian feelings and prejudices in the European inhabitants in those territories. It is futile, therefore, to expect that the bills in question can be made non-discriminatory or less discriminatory against Indians by introducing amendments therein. The whole question of immigration restrictions in East Africa, my Committee submit, must be considered against the background of the anti-Indian attitude of the white settlers in East Africa. The Indian community in that country has been suffering for a long time from many a disability at the hands of the European residents there. The Immigration Restriction Bills of the East African territories, if enacted and brought into force, will place one more instrument in the hands of the white population in East Africa to harass and coerce the Indian community in that country

As pointed out by my Committee in their last communication on the subject, the real motive underlying the bills under reference, as indicated above, is tried to be shrouded by raising the bogey of unemployment. The apprehensions regarding unemployment in the East African territories are most unwarranted. As has been observed in the report of the Indian Delegation to East Africa, there is no evidence of excessive or unregulated immigration in the past. It would appear from the immigration statistics for Kenya and Uganda given in the report of the Indian Delegation that during the

period 1931-45, there was an inward excess of only 4,978 in the case of Indians. The average per year works out to as low a figure as 332 for Indians. A remarkable feature of these immigration statistics is that in the years 1931, 1932, 1933, 1939 and 1940, there was a considerable excess of Indians leaving the colony over those who entered it. These immigration statistics also reveal an important feature of immigration of Indians into East Africa, viz. that in years of depression the Indians leave East Africa and return to India. This practice indeed has acted as a safety-valve against unemployment in the East African territories during years of depression.

Nor is there any evidence that immigration has been responsible for unemployment in the past. On the contrary, it has been generaly admitted that the East African territories owe their present state of prosperity and development to the enterprise of immigrants, particularly Indian immigrants into those territories. My Committe have referred in detail, in the course of their last representation on the subject, to the indispensable part that has been played by the Indians in the development and progress of the East African territories, which has elicited high appreciation even from such a person as Mr. Churchill, a relentless critic of everything Indian. They had also observed that there was still a vast scope for further development of those territories, which would require a large influx of immigrants. The report of the Indian Delegation to East Africa bears sufficient testimony to this fact. All the East African countries, the report observes, have large plans of developments which are likely to increase with time, in scope and variety. This would naturally require an increased man-power, enterprise, initiative and finance. The Delegation point out that this will not only provide African and other residents of East Africa with employment, but will also require a vast army of labourers and skilled workmen from abroad.

It is pertinent, in this connection, to refer to the report on the conditions of Indians in East Africa that was submitted by Mr. Dawood Hajee Nasser who has close business connections with that country stretched over a number of years, after his return from a business tour of that country early this year. He observes in the course of his report that not only there is no question whatsoever of unemployment in East Africa, but, every trade and industry is at present suffering from serious dearth of artisans and labourers. It will thus be seen that the apprehensions regarding the prospects of unemployment in the East African territories are most unwarranted by facts.

Mr. Dawood Hajee Nasser's report also testifies to the existence of cordial and friendly relations between the Africans and Indians in East Africa. The Indian business houses in that country are ready to employ the African workers in their concerns and the latter are also eager to work in Indian enterprises as they are treated with kindness and consideration by them. The Indian carpenters, masons, tailors and other artisans are prepared to teach their own handicrafts to the Africans. It is, therefore, difficult to believe from these facts that the existence of the Indians in the East African territories would constitute a menace to the African interests. On the contrary, the presence of the Indians in East Africa is definitely beneficial to the Africans.

It would be obvious from the above that there is no need or justification for any immigration restrictions in the East African territories. It is quite obvious that the British interests there want the East African territories to be left exclusively for their exploitation. By giving their consent to the introduction of the present Immigration Restriction Bills which will certainly result in discrimination against Indians the Colonial Government have violated the assurances given by His Majesty's Government in the White Paper issued in 1923 and re-affirmed in another White Paper issued in 1927 that they would not countenance the introduction of any legislation which involved racial discrimination against the people from any part of the British Empire.

My Committee have noted from the report of the Indian Delegation to East Africa that the East African Governments have assured them that the purpose of the bills is not to discriminate against Indians. But having regard to the past history of the immigration restrictions and to present utterances by persons in authority and non-official Europeans, my Committee think that the apprehensions entertained by Indians are sufficiently warranted. They, therefore, submit that Government should not be led away by the assurances of the East African Governments, but should do all in their power to prevent the Immigration Restriction Bills in East Africa from being enacted into law, and thus vindicate the honour and status of our brethren abroad. My Committee would suggest that the whole question of immigration into East Africa, in so far as it affects the Indians, should be discussed at a conference of the representatives of the Government of India and those of the various East African Governments. This will give the Indian representatives an opportunity to impress on the East African Governments the advisability of withdrawing the present Immigration Restriction Bills.

In conclusion, my Committee would feel highly obliged if they are informed as to what action Government propose to take in this matter of great importance to the Indians in general and the Indian commercial community in particular.

APPENDIX 93

Indo-Burma Treaty

Telegram, dated 22nd December 1947, from Chamber to the Hon'ble Pandit Jawaharlal Nehru.

Committee, Indian Merchants' Chamber, understand that negotiations for treaty between India and Burma regulating relations between the two countries, particularly in the sphere of trade, immigration, franchise, property rights, etc. are in progress and that the terms and conditions of the proposed treaty are likely to be finalised immediately after the attainment of independence by Burma. Committee wish Godspeed and success to the efforts of Government to bring about satisfactory settlement of all outstanding issues, so as to enable the two countries which have so much in common by culture, custom and tradition to forge new ties and be helpful to each other in common tasks ahead. They hope that the present talks are only of a preparatory character and that before final conclusions are reached, representative non-official interests will be taken into confidence and that such representatives would also be associated in further stages of negotiations. Committee urge that the proposed treaty should accord rights and safeguard Indian interests in the same manner as recent treaty between the U.K. and Burma has safeguarded British interests in that country. In the matter of domicile, franchise, trading and property rights, Indian nations should be accorded same rights and treatment as have been extended to nationals of the U.K. under the new arrangement. All Indians who were in Burma before December 1941 should be allowed unrestricted right of entry and re-entry. Formalities regarding identity should be simplified. Right of merchants and business undertakings to replace, reinforce and augment their personnel should be recognized. Committee do not wish at this stage to go into details of the various ancillary arrangements connected with the above aspects of the question. They hope that they will be afforded opportunity for expressing their views before final terms of the treaty are settled.

Committee have also to point out that even after the lapse of two years claims of Indian nationals for damages consequent upon war have not been met. There is a feeling of uncertainty caused by this delay. It would appear that in

many cases even evidence regarding the extent of loss or damage has not been invited. Claims of Indian nationals in respect of war damage should receive same treatment as claims of Burmese nationals or those of the nationals of the U.K. Incidentally, Committee would also like to draw the attention of Government to the difficulties arising out of the recent foreign exchange regulations imposed by the Burma Government. While Committee realize the anxiety of the Burma Government to conserve their foreign exchange resources, they would in particular like to stress that the restrictions in question should be modified in following directions. Remittances of a capital nature between Burma and India should be allowed free of any control. Similarly, remittances by Indian owners of property and assets in Burma who have disposed of such property should be free of any restriction. It is relevant to mention that under the recent agreement between India and the U.K. similar remittances by British owners of property would be allowed. There should also be no restriction on remittance to this country of profits earned by Indian businessmen from time to time in normal course of their business. Restriction should not come in the way of financing of seasonal capital required for purchasing operations of paddy and rice in Burma. These finances are obtained from India and immediately after the season the trading capital so borrowed is remitted back. Restriction should provide for continuance of this facility. Restrictions similarly should not apply to remittances of surplus funds by Indian Insurance Companies doing business in Burma. Committee request that Government of India will be pleased to give their early attention to the above aspects of the problem concerning future relations between the two countries. In particular, they seek a reassurance that before the terms of the proposed treaty are finalised, representative non-official interests would be consulted in regard to the scope and main features of the same.

APPENDIX 94

Foodgrains Policy Committee

Letter No. 2819, dated 15th October 1947, from Chamber to the Foodgrains Policy Committee, Ministry of Food, New Delhi.

The Government of India in the Ministry of Food, with their letter No. 432|S, dated the 25th September 1947, forwarded to my Committee a copy of the Note issued regarding the appointment of the above Committee and its terms of reference and they were invited to submit their views and

suggestions to you. In view of the urgency of the matter, Government further desired that any memoranda that may be addressed to the Committee should be made available before the 15th of October 1947. I am, therefore, desired by the Committee of my Chamber to send to you herewith in brief their suggestions and proposals on certain aspects of the food problem at present confronting the country.

The Foodgrains Policy Committee appointed by Government in the year 1943 after surveying the position in its entirety made recommendations in regard to procurement, rationing, and price control, and formulated a basic plan for the distribution of foodgrains of the country as a whole. The investigations of the Committee revealed that the total production of foodgrains varied from 49.6 million tons to 55.5 million tons between the years 1935-36 and 1942-43. It is necessary at this stage to point out that the statistical position disclosed from time to time re : food production and deficit showed considerable variations. There is a strong feeling that the position concerning agricultural statistics is most unsatisfactory and unless the necessary machinery for a more accurate determination of the statistical facts is evolved, the task of formulating a successful food policy and implementing the same will continue to be difficult. The present Enquiry Committee will, therefore, be good enough to include in their recommendations proposals for collating and recording agricultural statistics in a more reliable and accurate form, so that the confusion caused by the conflicting estimates relating to overall production, the total needs, the balance position, etc. may sooner or later be ended. It will be conceded that the prepration and enforcement of an effective Food budget for the country will only be possible if the basic factors regarding the supplies available and the needs and requirements are accurately set forth.

The Present Food Position :

Although the recommendations of the 1943 Foodgrains Policy Committee were in their essentials accepted by Government and given effect to, there is a continuing food crisis arising mainly from the failure of domestic production and supplies to keep up to the targets and estimates. The uncertainty connected with the extent of the import assistance, on which the country could depend, was another contributing factor. With the advent of the National Government at the Centre it was, however, hoped that there would be some relief and that our food needs will be attended to in a more orderly and systematic manner. Notwithstanding the earnest efforts made by the Government of India under the energetic guidance of the Hon'ble Dr. Rajendra Prasad, the Food

Minister, in giving effect to the Five-Year Plan announced early this year, the problem has defied solution and the country is faced today with a critical situation. The Hon'ble the Food Minister himself at a recent press conference held on the 20th September gave a sombre picture of the situation and described it as very grave. He warned that owing to the insufficient grain stock under the control of Government the country must be prepared for even intermittent breakdowns in rationing in different parts of the country, let alone drastic cuts in the existing quantum of rations. Owing to late rains in certain areas coupled with serious floods in 9 districts of the U.P., the *kharif* crop prospects are reported to be only 80 per cent of the normal. In the light of the above developments, the Hon'ble the Food Minister expressed the view that the time had come when the Provinces and States must depend more and more upon their own increased production to feed their own people. The country has always been under the shadow of a threatening famine, which indicates the need for a re-orientation in our foodgrains policy and administration. The main task, therefore, of the Committee will be to examine and study more closely the inherent drawbacks in the present system of our food production, procurement and supplies and distribution.

Need for Accurate Statistics :

A reference has already been made to the confusing statistical position. In April last, the Hon'ble the Food Minister placed the overall shortage of foodgrains in India at 3 to 4 million tons this year, while almost at the same time a Departmental communique estimated our annual demand for cereals at 64 million tons, average production at 56 million tons, and the real deficit at about 4 to 5 million tons, calculated on the existing level of population and on the basis of the ration now in force. Again, the recent Food Conference held on July 13th tried to present a more accurate picture and estimated a deficit of 4.5 million tons in relation to the 12 ounce quantum. Deducting a supply of 2.5 million tons expected to be secured by way of imports, the Conference calculated a prospective deficit of 2 million tons. From these maze of statistical estimates, it is not quite clear on what single average figure of total production Government have been framing their Food budget and arriving at the figures of deficit. The position is rendered all the more intriguing when it is remembered that while the overall production has definitely been falling on the basis of their own figures, Government claim that during the 3 years and more of the working of the " Grow More Food " campaign production of foodgrains has increased by 3 million tons.

Effects of Partition :

All the statistical estimates previously given by Government cannot have any relevance now in view of the effects of Partition on the distribution of food resources in the country. This aspect cannot be ignored in our calculations of the future food deficit in the Indian Union. Taking for instance the two main cereals, Rice and Wheat : Out of a total quantity of about 23 million tons of Rice (the lowest production in recent years) the Pakistan provinces will have 6½ million tons approximately. On the basis of *per capita* needs, it is doubtful whether either part of Bengal can be self-sufficient in Rice. It is in respect of Wheat that the deficit of India is very disturbing : out of 11 million tons of Wheat produced (1942-43), the Punjab accounted for 4½ million tons ; of this the Pakistan part accounts for nearly 3 million tons. It was recently estimated by the Ministry that due to the partition of the country and the riots in the Punjab, India was immediately deprived of about 65 thousand tons of cereals. My Committee are mentioning these developments just to indicate the need for a review of the supply and statistical position in the light of the altered circumstances, so that the resources and needs of the Indian Union could be independently estimated and the targets for the future settled on the basis of the changed position.

Imports :

The fundamental defect in our Food Policy is our extreme dependence on expensive imports to relieve the shortage that arises here from time to time. In view of the prevalent difficult world situation regarding foodstuffs, the numerous pressing demands made on the International Emergency Food Council from various quarters, the series of disappointments met with by India and the irregularity in promised supplies being made available to the full, it will not be a matter of sound policy for this country to place complete reliance on imports to balance our requirements. Moreover, the deliberations of the World Cereal Conference have revealed among other things, that the requirements of importing countries exceeded the supplies from export countries by 18 million tons, i.e. the total demand for assistance amounted to 50 million tons as against a supply of 32 million tons available for distribution. As mentioned before, even the quotas allotted to this country had not reached us according to schedule and in quantities previously agreed to. The total imports in 1946 did not exceed 2.3 million tons and this year they are likely to be less. The total imports of all foodgrains upto September 18th amount to 1,591,800 tons and the total quantity expected in October is 206 thousand tons. Thus, on

the whole, just 2 months before the close of the year we would have received only about 1.7 million tons of imported foodgrains during the current year. The Hon'ble the Food Minister has accepted in his last press conference that the efforts of Government to secure larger imports have not been successful. The Committee will, therefore, have to devise ways and means to ending this state of uncertainty.

In the first place, we must depend on import assistance to the minimum extent possible. In view of the past experience it would also be necessary to enter into arrangements for securing guaranteed imports from countries which have a nearer access to us. The Hon'ble the Food Minister's announcement to send a Food Mission to Australia to negotiate an agreement for the purchase of Wheat is a step in the right direction, and a similar Mission to Burma, another important external source of food supply, may improve the prospects of our securing guaranteed and sufficient imports during the period of the implementation of our own plan for self-sufficiency in full.

In the matter of prices for our imports, our state of dire necessity has been fully exploited by the supplying countries. Australia, it is understood, charged 44 sh. for 6 bushels of wheat in 1945, whereas last year that country has charged double that price. Canada sold wheat to England at $1.60 a bushel of 60 lbs. according to an agreement, whereas India is paying now upto $2.50 to 2.75 a bushel to America, which country in 1940 charged India only $1.60 per bushel. The above facts are cited just to show the extent of profiteering that has been going on at the expense of the countries in need.

The Government of India had to incur an expenditure of over Rs. 20 crores as subsidy on an import totalling Rs. 100 crores, with a view to keeping the prices of imported foodgrains in harmony with the prevailing internal prices. The country cannot afford to fritter away its foreign currencies on buying foodgrains at such fantastic prices.

Exchange of Exports for Imports:

Imports of foodgrains for some time to come until our own plans for increasing production materialize are unavoidable. As mentioned above, we should concentrate on arrangements, which would secure results of a guaranteed nature. Secondly, we should also see that the terms on which such imports are agreed to are not unduly onerous. We must hereafter utilise more successfully our bargaining position in the matter of exportable surplus of some of the commodities which are equally in great demand in the world today. Although our cloth production is not sufficient to meet our own

internal requirements, we have on broader considerations of policy agreed to make available to other countries a minimum supply. These supplies are being offered at controlled rates, which, we understand, have no relation to the market rates prevailing in the countries of destination. Similarly, in the matter of jute, oilseeds, tea, etc. we are allowing exports more or less on a regulated basis. It is not suggested that we should take advantage of our position as suppliers in a sellers' market by extracting the best possible terms. We should, however, release these supplies to countries who are prepared to enter into some reciprocal arrangements with us by supplying us the foodgrains we badly require at rates which show some relation to the internal prices prevailing in their own countries. In short, instead of merely depending on the allocations made by the International Food Authorities, we will have to conclude reciprocal arrangements with countries having surplus of food production on terms and conditions which are fair to both the parties. Although such agreements for exchange of goods on a reciprocal basis may be negotiated and concluded on a Governmental level, it is at the same time necessary to provide that the actual process of the handling and supply of the goods in fulfilment of the agreements should be carried on by the normal trade channels.

Procurement:

Internal procurement is the very essence of the problem in dealing with the immediate emergency. In the absence of an effective procurement policy, the rationing system cannot be successfully sustained. Unfortunately, in the sphere of procuring the available foodgrains the Provincial Governments have been following diverse methods and policies. The woeful failure of procurement to come up to the targets fixed has added to the uncertainties of the supply position. It is difficult to absolve Government from responsibility for this failure in the procurement programme. It is understood that the Government machinery and methods were not adapted to the needs of an effective procurement programme. The existence of surplus supplies in certain areas and their availability at fantastic prices go to show that all the supplies surplus to the requirements of those producing the same are not passed on to the common pool. Controlled distribution can succeed only to the extent that the procurement is effective. The Committee will, therefore, have to concentrate on evolving a more practical procurement policy and also ensuring that the implementation of that policy is carried on in a manner which secures consistent results.

Public Co-operation :

Lack of public co-operation is also understood to be one of the causes for the failure of the policy of procurement. The aloofness of the past between the Government and the governed is no longer justified. The Committee will be good enough to examine proposals for associating non-official elements in the work of assisting effective procurement. In the province of Madras with a view to associating non-officials with food administration and to obviate complaints of high-handedness on the part of food officials, Village, Taluq and District Food Committees have been formed. In regard to procurement the Committees have been authorised to scrutinize the demand lists and to settle the quantities to be collected from individual producers and from each village. The services of such Committees may also be enlisted in carrying on intensive propaganda for persuading the producers to surrender all supplies surplus to their requirements. At present, the non-official bodies that have been set up in the various provinces are more or less deliberative agencies and a scheme for enlisting the services of non-official elements in a more practical manner may well be evolved.

Subsidies :

It has been pointed out that one of the reasons for the failure of procurement is the fixation of low prices for grains in the districts. To obviate this difficulty and in order to induce the cultivator to part with his foodgrains, higher prices may have to be offered wherever necessary. At the same time, to offset the effects of such increased prices on the cost of living Government may well agree to a scheme of Food Subsidies. This aspect deserves consideration, as such a measure has been successfully tried and worked in other countries. Even here, the bonus scheme recently instituted in Madras is reported to have helped in persuading the cultivator to surrender increased quantities of foodgrains. The Committee should, therefore, examine whether the introduction of a policy of subsidising internal production would not be preferable to paying higher prices for imports and subsidising their sale in the country.

Distributional Controls :

The time is now ripe for an entire review of the whole position governing handling and distribution, so that private channels of trade may be enabled to play their proper role in this sphere of activities. The trade agency because of its past experience and insight into the actual requirements of the respective local situation will be able to discharge these functions more economically and efficiently. The Committee

should particularly consider the desirability of removing the controls on prices, movement, distribution, etc. of all articles of foodstuffs excepting basic cereals and there should be free trade in foodstuffs other than cereals throughout the country, all Provincial and State bans being removed.

Even in regard to cereals, the question whether rationing in its present form and extent should be continued may well be examined. The number of the population covered by the existing rationing system is reported to have exceeded 143 million. This has necessitated an elaborate machinery. Opinion in favour of the complete abolition of all food controls and rationing is gaining support. Suggestions have also been made that the system of rationing should be confined to urban areas having a population over a prescribed minimum. *In any case, the country should gradually work to a state of affairs under which all the controls and rationing will ultimately go,* and the Committee may well examine if the time has not arrived for a start being made so that at least in rural areas in surplus centres controlled distribution may give place to normal methods of free exchange.

Similarly, inter-Provincial-State movement of food articles other than cereals should be completely free. The present restrictions have only obstructed supplies from producing and surplus areas moving to centres of consumption. The recent experience in de-controlling oilseeds, vegetable oils and pulses lends support to this view. There is no point in continuing inter-provincial control on movements of subsidiary items. The normal trade channels should also be given free scope and facility to bring in as much foodstuffs as can be secured from foreign countries. When the country is faced with an acute shortage, there is no special purpose in keeping alive the policy of restrictions on imports except on the basis of licences or permission. Instances of offers of supplies of foodstuffs other than cereals from foreign countries received by merchants have come to our notice; such offers could not be accepted on account of the official restriction on imports. The explanation that such restrictions are necessary with a view to obviate the contingency of such imports being secured at higher prices is not convincing. The Committee must consider the advisability as a matter of general policy of all food items being allowed to be freely imported by private agencies.

Storage and Wastage :

Lack of storage facilities in India is resulting in heavy loss of food. It was officially acknowledged that on account of bad and faulty methods of storage, there is wastage of nearly 3 million tons of foodgrains every year in India.

According to Dr. H. S. Pruthi, Advisor to the Government of India, Rs. 80 million worth of foodgrains are being eaten away yearly by insects in grain stores, while pests and crop diseases were responsible for an annual loss of Rs. 50 million. In a period of shortage like the present, wastage in the above form should be reduced to the minimum; the matter demands serious attention. The Committee should draw on the knowledge and methods followed in other countries in overcoming this danger and recommend to Government the construction of storage accommodation on scientific and modern lines in all centres where foodgrains are gathered and stored.

Increasing Production :

A permanent solution of the problem of food shortage, however, lies in the direction of intensifying efforts for increasing production in the country on a nation-wide scale. Unfortunately, efforts taken in the above direction have not so far yielded fruitful results. It is true that the Governments, both Central and Provincial, have been carrying on for some years now the " Grow More Food " campaign. More than Rs. 16 crores have been given by way of loans and grants under the campaign to various provinces during the last four years, for purposes like provision of improved irrigation facilities, manure, agricultural implements, etc. While the average area under cultivation of principal foodgrains for the period 1936|37 to 1938|39 was a little over 193 million acres, the area under cultivation in 1945|46 exceeded 202 million acres. Thus, 9 million more acres are claimed to have been brought under cultivation in 1945|46, as compared with the pre-war position. In spite of this increase in area, production of principal foodgrains, which exceeded 65 million tons before the war, was a little less than 58 million tons in 1945|46. In the light of the above position, it is difficult to reconcile the claim of Government that during the three years and more of the working of the " Grow More Food " campaign, production has increased by 3 million tons.

All the difficulties in the way of increasing production should be overcome. In this sphere also, the need for enlisting the co-operation and assistance of non-official agencies in attempts to intensify the " Grow More Food " campaign cannot be over-emphasised. The problems and difficulties of particular areas should be separately examined with the assistance of non-official agencies; in every village or district there must be an active organisation composed of leaders of public opinion carrying on intensive propaganda for increasing food production. Government should provide all the facilities for carrying out the plans which such agencies may prepare. Steps such as increasing irrigational facilities, sup-

plying improved agricultural implements, securing adequate supplies of manure, fertilizers, etc. providing good quality seeds and extending financial and credit facilities to the farmers, have all been stressed in the past. Government should also have a technical agency of trained agricultural personnel moving about in the rural areas imparting information and knowledge on improved methods of cultivation. The yield of crops per acre in this country, particularly cereals, is the lowest in the world. It should be possible to increase the yield by adopting a more scientific system of farming.

Increased production and steps for improving yield should be the key-note of our efforts to improve the food position in the country. In any planned programme of increasing production, provision of adequate facilities for irrigation and supply of sufficient quantities of green and compost manure to be supplemented by the use of inorganic manure should receive proper attention. The use of inorganic manure will yield satisfactory results only if properly admixtured with compost and green manure and ploughed back into the soil. Such a process will help in the regeneration of soil exhaustion. The bullock will continue to be the bulwork of Indian agronomy. Mechanical methods of agricultural farming cannot, for practical reasons, be adopted on a country-wide scale in the immediate future. The bullock should, therefore, be well maintained and fed with nourishing fodder. Towards that end, sufficient attention must also be devoted to the growth of adequate supplies of green fodder. Voluntary efforts for increasing fodder cultivation have not been fruitful of results. The question whether the time has not arrived for some compulsory provision for a certain proportion of cultivated lands being reserved for growing fodder may well be considered by the present Enquiry Committee. For the purpose of increasing inorganic manure resources, the country should adopt a policy of discouraging export of bones and this should be used within the country for being converted into manure and other by-products economically more useful. Information about the cattle wealth of the country should also be systematically maintained and cattle census should be taken at a fixed interval of a few years.

Steps for increasing supplies of supplementary and substitute foods such as vegetables, greens, fish, fruits, etc. in order to afford some relief in the immediate future have all to be planned on a systematic basis. Attention may be devoted to items of foodstuffs which could be quickly raised such as potatoes, sweet potatoes, etc. so that there may be some immediate relief in the present position of acute shortage. These are at present being left more or less to private and voluntary efforts. What legal requirements and official

orders failed to achieve in the past should now be attempted by voluntary persuasion and by appealing to the sense of public duty of the ordinary citizen. In fact, a new food consciousness should be created all over the country and there should be a well-directed propaganda to impress the public as a whole that the country's salvation and capacity to tide over the crisis lie primarily in self-help.

APPENDIX 95

Food Situation in the Bombay Province

Letter No. 799, dated 2nd April 1947, from Chamber to the Department of Civil Supplies, Government of Bombay.

I am directed by the Committee of the Indian Merchants' Chamber to address Government on the disturbing food situation arising out of the acute shortages of foodgrains and other articles of food, which has engaged their serious consideration for sometime past and submit their considered views and suggestions on the same.

My Committee are fully aware that Government of India have been planning for increased production both by intensive and extensive cultivation and to that end have sponsored a Five-Year Plan, under the able guidance of the Honourable Dr. Rajendra Prasad, Member for Food and Agriculture. This plan envisages an increase of 11.5 per cent in our production, fixing the target at 3 to 4 million tons of extra food crops by 1951-52. The plan is, no doubt, modest and realistic and given the requisite drive, determination and co-operation on the part of the provinces on whom will rest the final responsibility of working out the various schemes under the plan, it will not be difficult to achieve the target aimed at. In this connection, my Committee are further aware of the practical measures which the Government of Bombay propose to adopt and execute through the Provincial Rural Development Board, with a view to speed up the drive for augmenting the production of foodgrains in the province. While my Committee welcome and fully support the all-in-efforts made by the Central Government and also the Provincial Government in this direction by effecting agricultural expansion with a view to meet our recurring deficits, they feel that, the plans would obviously mean working out by various stages and as such, cannot be helpful in solving the immediate problems of the province in respect of the acute shortage in the supply position of foodgrains.

My Committee understand that the present stocks of popular grains are just enough to meet the requirements of

the population, dependent on Government for its supplies of food, for only a period of 11 weeks and that the wheat position in particular continues to be unsatisfactory. The disquieting situation is revealed by the fact that stocks of foodgrains in the province on March 8, 1947, were 2,79,000 tons compared to 3,63,000 tons at the same period last year. The position in respect of Government procurements continues to be unsatisfactory and it is extremely undesirable, as is borne out by our past experience, to depend on the fluctuating and uncertain supplies through imports.

After a careful consideration of the various issues arising out of the food situation in the province, my Committee feel that the time has come for a thorough revision of the controls, which were brought into existence to meet the special emergencies and exigencies of the war period. They are strongly of the opinion that with a view to meeting the requirements of the present situation, a new re-orientation in policy is called for and to that end, they would like to make the following suggestions and recommendations :—

While my Committee fully realise that so long as the present conditions of acute shortage persist, it would be inadvisable to remove controls on the basic cereals, viz. rice, wheat, bajri and jowar ; they feel at the same time, that there is no justification for controlling the movement or distribution of all other articles of food, particularly items of foodstuffs such as pulses, chola and peas, etc. They would, therefore, request the Provincial Government to impress upon the Government of India the necessity of removing controls regarding movement, distribution, etc. of all articles of foodstuffs, excepting basic cereals.

In this connection, my Committee would also urge the Provincial Government to take up with the Government of India the question of the removal of control and restrictions on inter-Provincial-State movements of food articles other than cereals. Instead of facilitating unhampered movements of foodstuffs, these restrictions, as has been commonly realised, have resulted in obstructing the free flow of supplies from producing and surplus areas to centres of consumption, which are deficit in this respect. My Committee are convinced that if the control in respect of the movement of foodstuffs referred to above were removed, facilitating unhampered inter-Provincial and State supply, the existing anomalous position of acute shortage in certain centres and surplus supplies in other centres would automatically disappear.

Further, it has been brought to the notice of my Committee that several offers for supply of foodstuffs other than

cereals, received by various parties in the province from foreign countries such as South America, Arabia, Sudan, etc. could not be availed of on account of the existing formalities in this respect. Under the existing conditions of acute shortage of foodstuffs, they see no justification in the continuance of the restrictions in this mannner. My Committee would, therefore, urge that the Government of Bombay should try to remove technical difficulties, if any, in this regard, with the necessary sanction from the Central Government and should see that restrictions on such imports are completely removed.

My Committee are of the view that with the installation of the Popular Ministries in the Provinces, time has come for Government to afford greater opportunities for contact and consultation with the normal trade interests, which were displaced and alienated during the war years. While they note the appointment of a Provincial Food and Commodity Advisory Board with representatives drawn from all over the province, they feel that in the determination of official policy and procedure, in respect of the main groups of articles, closer collaboration of the particular trade interest concerned, with its practical experience and knowledge of the line, would enable Government to adjust their policies in a manner best calculated to meet the requirements of the particular case.

Finally, my Committee cannot but emphasise too strongly, the necessity of restoring to normal trade channels, the handling and distribution of even those items which are subject to control. The whole problem of storage and distribution of foodgrains can be tackled in a much more economic and efficient manner by those who possess detailed knowledge of the trades and experience extending over a number of years than the existing administrative machinery, which, as is acknowledged, is both ill-equipped and inexperienced for the task. My Committee suggest that Government should integrate the normal trade channels in the machinery set up for administering the controls and secure their full co-operation in solving the difficult situation that confronts us.

My Committee hope that Government will be pleased to give their prompt and serious consideration to the various suggestions and recommendations made above and implement the same at the earliest possible opportunity.

APPENDIX 96

Interview with Mr. M. P. Patil, Minister for Forests and Agriculture, Government of Bombay

Speech of Mr. Ratilal M. Gandhi, M.L.C., President, Indian Merchants' Chamber, at the meeting with Sjt. M. P. Patil, Minister for Forests and Agriculture, Government of Bombay, on Tuesday, 29th July 1947.

Sjt. Patil,

I have great pleasure in extending to you a cordial welcome. It was indeed very good of you to have responded to our invitation and agreed to meet the members of the Committee for an informal exchange of views on problems relating to Agriculture. The Chamber is very keen on promoting closer and more intimate contact between the commercial interests and the Government. It was recently in June that the Committee discussed important questions relating to food supply with Sjt. Dinkerrao Desai, Minister for Civil Supplies. On that occasion, the question of augmenting the food resources of the Province naturally came up for discussion. But as this aspect of the problem was under your charge, the Committee were anxious to meet you for an informal discussion on the "Grow More Food" campaign and other allied issues. With a view to affording sufficient time to the members for the discussion of some of the vital and important questions relating to the expansion and improvement of our agriculture, I would prefer to be very brief in my preliminary observations.

Food Situation in the Province :

The Province has been faced with a grave and difficult food situation for the past several months and as a consequence, the citizens have been required to undergo a further austerity cut in their rations of wheat and rice. The recent Food Conference convened by Dr. Rajendra Prasad, the Food Member of the Government of India at New Delhi, after a re-examination and review of the food situation in general and the impending crisis in provinces like Bombay and Madras, pointed out with special reference to this Province that its wheat imports will be below requirements and it was unlikely that any increase would be possible in the supply of popular grains. You will agree, Sir, that the position still continues to be precarious and can be hardly considered as satisfactory from any point of view. From the latest Government communique regarding the food situation in the Province, we understand that the stock of foodgrains is just sufficient to last for seven weeks and that even these stocks are being depleted at a rapid rate. The question confronting

the Government is how to maintain the present proportion of popular grains in the ration quanta and to keep the distribution arrangement functioning. With the procurement of the cereals in the Province declining—from November 3, 1946 upto June 21 1947, the procurement of cereals was 3,82;300 tons as against 4,09,000 tons during the corresponding period of last year—the Province has been driven more and more to depend on the allotments from the Centre, which, as we are all aware, have been characterised by uncertainties arising out of our dependence on the vagaries of foreign imports. As has been aptly put by Dr. Rajendra Prasad, "It is a tragic sight to see its (India's) representatives going from one end of the earth to the other, literally from Persia to Peru with the begging bowl in their hands for food which we ought to be able to produce". Besides, the imports from various countries have cost us about Rs. 100 crores; which, if allowed to persist, will result in frittering away of our hard earned Sterling resources. It is, therefore, imperative that for tiding over our food shortage, we must increasingly depend on our own resources and explore all possible opportunities for effecting agricultural expansion. It is in this context, Sir, that the need for re-orientating and re-vitalising our "Grow More Food" campaign with a view to bringing as much of land under cultivation as possible and increasing food production, assumes very great importance.

"Grow More Food" Campaign :

Having realised by experience that the "Grow More Food" campaign which was inaugurated in 1942 did not result in adequately expanding the area under food crops, the Growth of Food Crops Act was promulgated in May 1944, with a view to bringing larger area under food crops and increasing the overall production. In the light of the success hitherto achieved in the "Grow More Food" campaign, the Government of India have decided to continue the various schemes relating to "Grow More Food" for the period of next 5 years so as to ensure a permanent increase of about 4 million tons in India's annual food production. In accordance with this policy, we understand that the Government of Bombay have reviewed and continued with suitable modifications the various measures undertaken by the various regime. The present campaign for increasing the food production of the Province, among other things, lays special emphasis on the cultivator growing only food crops in a specified area of his holding, multiplication and distribution of improved seed, preparation and distribution of various kinds of manure including town compost and construction of new wells and tanks and improvement of the existing ones.

Government have no doubt been making efforts for intensifying the " Grow More Food " campaign so as to increase and improve the food crops in the Province. However, it has been acknowledged that the campaign hitherto has not yielded any appreciable improvement in the overall position. It is not possible for us to arrive at a correct picture from the available statistical information. I would only refer to a recent enquiry into the working of the Growth of Food Crops Act, specially with reference to Gujerat, instituted by the Agricultural Economics Section of the University School of Economics and Sociology. The result of this survey has disclosed the inadequate improvement in irrigation facilities and supply of seeds and manures and shortage of cattle feed as major defects in the working of the Act. The report further states that " a very small number of tanks and wells seems to have been repaired and still fewer new ones have been constructed. Seeds distributed proved unsuitable many times. The defects in the distributive machinery of seeds and manures gave rise to malpractices like black-marketing and such wrong use prevented them from reaching the right persons in desired quantities ".

We have no doubt that the Department under your able guidance must have sought to remedy the defects and made all possible efforts to intensify the drive for greater production. We would like to know from you the correct position obtaining today in regard to the " Grow More Food " campaign and the various other measures adopted in this connection :

(1) What is the present area under scheduled Food Crops and non-food crops; to what extent the " Grow More Food " campaign has resulted in an increase in the former and decrease in the latter ?

(2) What is the extent of appreciable increase in food production compared to the increase in acreage ?

Besides, we would like to know (i) the steps which are being taken for the supply of improved seeds and the areas covered under the scheme, (ii) measures adopted for expediting the improvement of existing minor irrigation works and the progress so far achieved in the construction and improvement of wells and tanks particularly the number of new wells sunk, (iii) whether Government at present have sufficient complement of tractors so as to render assistance to cultivators in the scarcity areas and facilitate thereby ploughing on a large scale, (iv) what further steps are being taken by Government to supply agricultural implements to the cultivators.

We are also interested in knowing as to the distribution of various types of manures—(1) groundnut cake, (2) bone-

meal, (3) sulphate of ammonia, (4) compost manure, and whether sufficient quantities have been made available to the cultivators with necessary instructions as to their effective utilisation.

The question of cattle feed and adequate provision of green fodder has specially engaged our attention for sometime past. It is indeed true that Government have recognised the importance of the cattle wealth of the Province and they are alive to the necessity of improving the livestock both by better breeding and feeding. I would only refer to the question of supplying nutritious fodder particularly the green fodder which has been recognized by all competent authorities as most essential for our cattle both draught and milch. In this connection we would like to know what steps have been taken by Government to provide for the requisite supply of green fodder in the Province and what measures they intend to take to promote "mixed farming" which has been accepted by Hon'ble Dr. Rajendra Prasad as the right solution for the purpose.

Forestry :

It is hardly necessary for us to emphasise the great importance of the scientific development and management of woodlands and the great part they play in affecting the climate, ensuring water supply by conserving rainfall, checking soil erosion and providing raw materials for the development of industries, etc. We are aware that the Government of Bombay have enunciated a new forestry policy and laid down a progressive forestry programme for achieving the objective. We would like to know the steps Government have already taken and those they propose to take in future for implementing their whole programme. I would particularly emphasise this aspect because the forest operations would offer great opportunities for developing local cottage industries and even large-scale industries such as paper, plywood, newsprint, sawmilling, etc.

Before concluding I would like to make mention of a report which recently appeared in the Press that the entire subvention plan of the Central Government to aid the post-war reconstruction schemes of the various provinces may have to be considered afresh in the light of the changing constitutional situation, and that the Central Government will pay only the share of the amounts already spent. We would like to be assured that this will not affect the tempo of the reconstruction plan in this province as a whole and the schemes of agricultural expansion in particular.

Summary of the replies of the Honourable Mr. M. P. Patil.

After thanking the President and the Members of the Committee for the opportunity given to him for discussing matters relating to the development of agriculture in the Province, the Honourable Mr. Patil referred to the paucity of reliable statistics regarding the area under cultivation and the yield of the various crops. In the past, this aspect had been neglected. A proper system of maintaining and recording accurate statistics regarding agriculture had not been developed. He expressed the hope that this defect would be remedied in course of time.

The average deficit of the Province in respect of cereals and pulses had been estimated at about six lakhs tons. This was mainly arrived at on the basis of figures of import assistance which the province used to secure from outside sources, both from within the country and from abroad. Pre-war estimates of annual average production in respect of various food crops in the province were as under :—

	Tons
Rice	.. 7,56,000
Wheat	.. 3,03,000
Jowar	.. 13,00,000
Bajri	.. 4,93,000
Others	.. 4,18,000
Total	32,70,000 tons

The "Grow More Food" schemes were planned on an All-India basis and according to the programme set out by the Government of India, the Bombay Province was expected to try to increase the annual yield in food crops in this province by about three lakhs tons within a period of about five years. After the Congress Ministry came into office, the entire programme was reviewed and revised and according to the present arrangements and expectations, the Province would be able to meet the deficit in provincial requirements to the extent of three lakhs tons from increased yield. Even then only half of the provincial deficit would be covered.

Detailing the different schemes under the "Grow More Food" campaign, Mr. Patil explained that the scheme for digging new wells and improvement of old wells was expected to result in an increase in yield by 38,000 tons; the pumping irrigation scheme was to result in another 20,000 tons; the improved seed scheme would yield an additional 1,27,000 tons; the manure scheme which contemplated the increased use of fertilizers, would bring in another 44,000 tons and the compost manure scheme 34,000 tons, making in all 78,000 tons

under this head. Besides, schemes for improvement of land on a large scale were under way and this was expected to yield another 16,000 tons. The programme for improving Khar and waste lands in the coastal districts of Surat, Broach, Thana, Kolaba, Ratnagiri and Karwar covering an area of over 1,50,000 acres was estimated to result in an increased yield of 20,000 tons. The Tractor scheme under which ploughing of waste lands by mechanical process was to be undertaken, would reclaim large areas which were not being used for any agricultural purpose at present. This, together with the programme of shallow ploughing and cleaning of weeded lands, would give another 20,000 tons.

Mr. Patil explained that out of a total of two crores of acres of arable land in the province, irrigation facilities were available only to cover 11 lakhs of acres; thus within the total area only 5 per cent was under irrigation. Cultivation of the rest of the land was dependent on rainfall. This factor necessitated Government concentrating their improvement schemes on the irrigated area for chances of greater success within the short-term period. Obviously, in the rest of the area, if rainfall was not adequate, the use of manure or fertilizers would not lead to any appreciable result.

Government had a large-scale programme in view for improving irrigation facilities. These schemes were grouped into (i) Major Irrigation Scheme, (ii) Minor Irrigation Scheme—repairs to tanks, etc. and (iii) Well Irrigation. Under the post-war reconstruction proposals, Government had ear-marked for expenditure on major irrigation schemes a sum of Rs. 8 crores; this work was expected to be completed within five to ten years. The Tapti Valley Scheme which was included in Government's long-range programme, when accomplished, would make the province self-sufficient in respect of her requirements of grain.

Under the short-range scheme, during the course of the next five years, it was proposed to construct 50,000 new wells in the province. The response from the agriculturists was quite satisfactory and beyond Government's own expectations. If Government succeeded in irrigating the number of new wells to one lakh, during the course of the next five years, the same would definitely result in increasing the yield to a substantial extent. The proposals for lift irrigation scheme on the banks of rivers at various places could not be immediately implemented because of the difficulty in getting engines. Government were endeavouring their best to get engines and pumps. Government had further budgetted an expenditure of Rs. 1½ crores for minor irrigation schemes during the next five years.

Immediate Relief :

The above schemes were to be completed during the course of the next five years. The shortage position this year, however, was causing special concern. Government had, therefore, decided on a short-range programme of producing sweet potatoes and potatoes and vegetables. They expected to grow about one lakh tons of potatoes during the next rabbi season. The yield in respect of potatoes was much greater than that for cereals. Against a normal grain yield of 300 lbs. per acre, the yield of potatoes was three tons per acre and for sweet potatoes 5 tons per acre. The success of the schemes of Government for increasing the agricultural yield of the province, however, depended on public response and co-operation. Government effort and machinery alone could achieve the necessary results. Mr. Patil, therefore, appealed that the members of the public should assist Government in every possible manner in making the scheme successful.

It was pointed out during the course of the supplementary discussion that on the basis of the existing population in the province of over two crores and the estimated annual yield of over 32,70,000 tons, there should be no difficulty in ensuring a *per capita* ration of one pound a day. If, therefore, the above estimate of yield was reliable, it was difficult to justify the shortage.

Mr. Patil, however, in reply pointed out that the suggestion in question assumed that all the grain produced would be available for procurement for purposes of distribution. It was not so. The agriculturists retained a larger portion. At the same time, as acknowledged in his preliminary remarks, the statistical estimates were not foolproof.

It was further suggested during the course of the discussion that possibly the prices offered by Government under their procurement scheme were not adequate to induce the cultivator to part with the grain. The availability of grain at a higher price in the unauthorised market went to justify such a fear. Government should, therefore, review the price position so that the prices fixed for the various grains might be so revised as to leave no attraction to the cultivator to withhold supplies of stocks and dispose them off in the " black market ".

The Minister in his reply observed that the issue relating to the prices fixed for foodgrains under ration was recently reviewed. The concensus of opinion was against any increase in the prices. It was feared that an increase in the prices of grains would immediately lead to a demand in industrial towns for an increase in wages and allowances to offset the increase in the cost of living.

It was also emphasised that Government should arrange for imparting scientific instructions on modern methods of farming and agriculture. Practical demonstrations of the use of fertilizers, etc. should be arranged in all the agricultural centres and a planned programme of educating the cultivators on all aspects connected with improving agricultural conditions should be taken in hand. Government should also, if necessary, subsidise agricultural production so that the factor of a higher return by growing commercial crops would not come in the way of the agriculturists concentrating full attention on foodcrops.

The Minister in reply mentioned that in the recent proposals for reorganising the Agricultural Department, Government had provided for the posting of at least one qualified Agricultural Graduate in every Taluka. There were 180 Talukas in the Presidency. Government had only at the moment 30 qualified Agricultural Graduates to spare for posting in the Talukas. There was difficulty in getting adequate numbers of trained personnel. Government were, however, giving this aspect due importance in their proposals. The chief difficulty was, however, in respect of machinery and implements. Government's programme would require a large number of tractors, boring machines and other implements. In spite of continued and sustained efforts Government had so far succeeded in getting only about 60 tractors, 18 boring machines and 40 to 50 oil engines.

Referring to the suggestion about subsidy, the Minister pointed out that Government were spending large amounts for subsidising agricultural operations. Government were giving a free grant of Rs. 500 for every well sunk. Besides, they were also advancing the balance of money required for such wells as loan bearing interest at 3½ per cent. For compost manure, Government were giving Rs. 3 per pit and transport expenses. Similarly, Government were bearing transport expenses for groundnut cakes, sent to agricultural centres. There was a proposal to increase the prices of cakes in which case Government might have to subsidise the difference in the cost. Government were also subsidising the supply of ammonium sulphate, bone-meal, etc. They were also giving *Tagavi* loans on a liberal basis at nominal rates of interest.

The Minister's attention was particularly drawn to the decrease in the cattle wealth of the province and the position regarding shortage and deficiency of fodder, particularly green fodder, as a contributing factor. Hay and straw were neither palatable nor of adequate nutritive value and the problem of rearing cattle in the province was becoming diffi-

cult on account of the high cost and inadequacy of cattle feeds. If the position was not corrected by suitable arrangements for regular growing of green fodder, the depletion of the cattle wealth and the deficit in the milch cattle in the province would continue and add to the provincial food problem.

The Minister's attention was also drawn to the continuance of exports of cattle from the country.

In his reply the Minister observed that regarding steps for increasing fodder supplies and improving the cattle wealth of the presidency, Government were doing all that was possible. They had enlisted the services of a cattle expert from the Punjab. Matters relating to export of cattle did not come within the purview of the Provincial Government. However, as far as he was aware, no export was being allowed from the Province of Bombay.

On the question of arrangements for the growth of green fodder the Minister felt that at the moment attention would have to be concentrated on the growth of cereals. Government were, however, undertaking mixed farming scheme and he expressed the hope that the same would result in improving the supply position of fodder.

It was mentioned that instead of concentrating on short-range schemes for digging wells, etc. Government should expedite the large-scale schemes like the Tapti Valley Project. Such large-scale schemes would produce quicker and more rapid results by increasing the facilities for canal irrigation. There were natural limitations regarding the scope of irrigation facilities from wells, etc.

The Minister in reply pointed out that the present schemes of Government in regard to wells were of a short-range character. The long-range schemes would inevitably take time and it was not a matter on which final decisions could be taken by the Government of Bombay alone. In the meanwhile, immediate difficulties of shortage had to be faced and met and therefore the present concentration on short-range schemes should not be taken to indicate any preference over the long-range ones which would, no doubt, be taken up in due course.

Several members stressed the importance of increased use of manure and chemical fertilizers so as to bring about a substantial increase in the yield of the main foodgrains. The Minister pointed out that chemical fertilizers could not be used on a large-scale unless they were suitably mixed up. Moreover, they could be used only in irrigated areas. Only 5 per cent of the cultivable area in the province had irrigation facilities. This put an automatic check on the extent to which chemical fertilizers could be used.

Stress was also laid on modernising our system of cultivation by the introduction of arrangements for co-operative farming and also by preventing fragmentation of land. Mechanised schemes undertaken on a co-operative basis would yield quicker results and a reference was, in this connection, made to the scheme for large-scale growth of oilseeds in Tangyniyka, sponsored by British interests.

The Minister replied that joint farming schemes were being upndertaken and legislation for land reform schemes preventing fragmentation and rationalising the basis of land tenure, etc. would be sponsored in due course.

It was suggested that waste lands might be given free of cost for being cultivated. In that manner Government would be able to bring that area under crop.

The Minister in reply pointed out that waste lands were being given free, but the difficulty in bringing such lands under cultivation on account of lack of facilities for irrigation, prevalence of malaria, pest of wild animals, etc. imposed natural limitations on prospects of any large-scale use of this facility.

It was suggested that terrace gardens should be developed and owners of buildings should be encouraged to grow vegetable and other items of fresh food in such gardens. The Minister replied that every help would be given for such efforts although he felt that the process would not contribute materially towards relieving the present shortage situation. It was pointed out that Government in their anxiety to promote increased cultivation of cereals in preference to money crops, were restricting production of sugarcane. This naturally resulted in reducing the production of sugar in the province. Sugar being an item of protective food, Government should see to it that their proposal for increasing foodgrains did not interfere with the growth of sugarcane.

Mr. Patil replied that at the moment shortage of cereals was the more formidable problem and that if in dealing with that problem there was some check on the production of items like sugar, the same could not be helped. The province could be short of sugar for some time but could not afford to be short of cereals.

Suggestions were also made that Government should utilise the tail water of the Hydro-Electric Works at Kapoli for irrigation purposes, that in preference to subsidising imported foodgrains, Government should encourage the cultivator by increasing the prices paid to him and by subsidising production within the country, that the transport facilities for moving grain crops from producing centres to consuming ends should be improved, that the large supply of cattle dung

available in the city should be systematically collected and made use of for manurial purposes, that exports of bone and bone-grist should not be encouraged and that instead the same should be used in the country for manurial purposes and that Government should seek and enlist the co-operation and assistance of non-official men in all their activities connected with the " Grow More Food " campaign.

The Minister in his concluding remarks assured the members that all questions connected with agriculture were considered at a Cabinet level and that Government had set up non-official organizations in the districts for co-ordinating agriculture and other allied activities.

After the President had thanked the Minister for the detailed nature of his replies, the meeting terminated.

APPENDIX 97

Growing of Fodder Crops

Letter No. 830, dated 7th April 1947, from Chamber to the Reconstruction Department, Government of Bombay.

I am directed by the Committee of the Indian Merchants' Chamber to refer to Government letter No. O|2196-B, dated 7th February 1947, addresed to the Bombay Humanitarian League, a copy of which has been sent to this Chamber for information. In this connection, they may be allowed to recall that while expressing their views on the Bombay Growth of Food Crops Bill, 1944, my Committee had emphasised that the Provincial Government should also concentrate on attempts to increase the supply of fodder in the Presidency. In the existing circumstances obtaining in the country, agricultural operations depend mainly for their success on the availability of cattle in required numbers and of sufficiently good breed and strength. The agriculturists naturally can keep and maintain the heads of cattle so required only if they are in a position to get the necessary supply of cattle food, particularly nutritious green fodder, at economic rates. The problem of increasing the growth of cattle food in the country is, therefore, closely inter-linked to the problem of increasing the growth of food crops. My Committee are aware that the Government of Bombay are attempting a concerted drive for increasing agricultural production and particularly production of food crops. They must, at the same time, impress them on the need simultaneously for devoting proper attention to the problem of increasing fodder supplies. They had, in this connection, addressed the Government of India in the matter on 7th November last laying special emphasis on this aspect of the problem of improving the agri-

cultural economy of the land and had suggested that Government's proposals and plans, legislation or otherwise, for increasing food cultivation should include suitable provision for increasing fodder cultivation also.'

The Government of Bombay in their above letter point out that the Growth of Food Crops Act, which had been enacted as an emergency measure, would in itself stimulate increased fodder production, especially in connection with wheat straw and jowar and bajri kadbi, and that, in the opinion of Government, increased fodder crops would be better secured by voluntary efforts and not by any legislation for the purpose. Although the Bombay Growth of Food Crops Act has been in force for nearly three years, my Committee are advised by those who have been in active touch with conditions obtaining in the agricultural economy of the land that the same has not led to any appreciable increase in the cultivation of fodder crops. In fact, Sir Manilal B. Nanavati, who is the President of the Indian Society of Agricultural Economics, after a recent tour of some of the villages of Charotar in connection with a socio-economic survey, recounted his observations that although nearly 300 bighas were under irrigation (tobacco), there was only one bigha under green fodder. The area concerned was an important dairy district with nearly 2,000 dairy cattle. Even so, the need for growing adequate growth of fodder had been sadly neglected. The Bombay Rural Development Board is also understood to have recently emphasised the importance of devoting necessary attention for increasing the supply of cattle fodder. The improvement in the breed of the cattle and their feed is therefore an integral factor in any scheme for raising the nutrition standard in the country.

The results of the past efforts on a voluntary basis, however, have not been sufficiently encouraging. Such voluntary efforts have not assisted in securing an increased supply of green fodder. My Committee therefore feel that it is very essential that Government's programme of agricultural improvement should impose a legislative obligation on the cultivators to reserve a certain proportion of their lands for cultivation of green fodder. It is requested that Government will be good enough to consider the above suggestion and to take, at an early date, such measures as may achieve the desired result with as little delay as possible.

Letter dated 23rd April 1947, from the Reconstruction Department, Government of Bombay, to Chamber.

With reference to your letter No. 830, dated 5th April 1947, I am directed to state that the points raised by you have

been duly considered by Government, but that in the present circumstances, it does not intend to undertake legislation for growing green fodder, as such a step is not expected to produce better results.

APPENDIX 98

Agmark on Tavada Ghee Products in Kathiawar States

Letter No. 646, dated 14th March 1947, from Chamber to the Chief Marketing Officer, Imperial Council of Agricultural Research, Government of India.

Mr. Shivailal N. Vasavda of Vasavda Villa, 6th Road, Khar, Bombay, who is a member of this Chamber, has sent for the information of my Committee a copy of his letter to you dated 3rd March complaining about instances of ghee which was not free from admixture being agmarked. He has referred to instances where agmarked ghee of Bhana Lava Brand was detained at the port of Durban, its quality being challenged, and the same was afterwards marked as containing animal fat before being allowed to be landed. Similarly, the complaint also refers to the malpractice of Tavada being freely mixed with ghee. The imprint of agmark of any goods is normally taken as a certificate of quality and purity of the goods in question. If, on the other hand, as alleged in the complaint the quality of goods agmarked is successfully challenged, the very procedure and system of agmarking may come into disrepute. My Committee would, therefore, request you to be good enough to look into the matter.

At the same time, they would like to know the procedure normally adopted in the matter of agmarking particular goods and articles, the test conducted and the safeguards taken to ensure that inferior or goods not upto the standard are not allowed in any way to have the advantage of being passed in the agmarking process. In the case of ghee also, they would like to have information about the percentage of purity generally insisted upon for being allowed for purposes of agmarking.

Letter No. F.18(3)|3|46-D, dated 22nd April 1947, from the Agricultural Marketing Adviser to Chamber.

I have the honour to refer to your letter No. 646, dated the 14th March 1947, on the above subject and to say that the matter has been reported to the Dewans of Porbander, Nawanagar, and Junagadh States for further action in the matter.

As regards para. 2, a copy of the Ghee Grading and Marking Rules, 1938 (as brought up-to-date), under which Ag-

mark ghee is graded at present is enclosed. You may also obtain a copy of the printed pamphlet entitled "Instructions regarding the Grading and Marking of Ghee, in connection with the Ghee Grading and Marking Rules, 1938", from the Manager of Publications, Civil Lines, Delhi, at a cost of 4 annas by quoting symbol No. AMA 34 only. The pamphlet explains the detailed procedure which is generally followed at Agmark ghee laboratories in India. So far as Kathiawar ghee is concerned, it has been found as a result of analysing control samples of such ghee that the physical and chemical constants of this ghee differ from those of average all-India ghee for which standards have been laid down in the Ghee Grading and Marking Rules, 1938. As such, regional special standards were allowed for certain States of Kathiawar ghee. A copy of these standards is enclosed for your information.

Letter No. F.1(3)|68|47 Devt., dated 7th November 1947, from the Agricultural Marketing Adviser to Chamber.

In continuation of this Department letter F.18(3)|3|46|D, dated the 22nd April 1947, I have the honour to state that enquiries have now been completed regarding the complaint that ghee containing vegetable or non-milk animal fat was put under the Agmark. While it has not been possible to get any authorised Agmark ghee packer from Kathiawar States to admit admixture of ghee with vegetable or non-milk animal fat, steps are being taken by this Department to tighten up quality control by organizing a Control Laboratory at Ahmedabad and deputing an Inspector there to check all Agmark ghee grading work in Kathiawar.

APPENDIX 99

Housing Programme of the Government of Bombay

Letter No. 1024, dated 22nd April 1947, from Chamber to the Department of Labour, Government of Bombay.

The attention of the Committee of the Indian Merchants' Chamber has been drawn to the press report regarding the housing programme of the Government of Bombay. They understand that Government have constituted a Provincial Housing Board with a view to evolving schemes for development of lands and for the housing of industrial workers and low-income groups and for devising ways and means for raising the necessary finances for the purpose. The main features of the proposed programme are that Government would undertake direct construction by building up new houses of approved standards and by converting surplus military huts and other available structures; Government would further

assist employers, Local Bodies and Co-operative Societies to undertake construction of houses conforming to standards laid down for the purpose of facilitating availability of building materials, sites and financial assistance in the form of loans, grants, etc.

My Committee further understand that the proposed programme is estimated to involve a capital outlay of Rs. 7½ crores spread over a period of five years. With a view to meeting the finances for the capital outlay it is proposed that the Central Government be requested to contribute to the extent of Rs. 2½ crores and the employers in industrial areas like Bombay, Ahmedabad and Sholapur should be made to contribute a similar amount in the shape of a levy with varying rates, viz. Rs. 2 per month per employee in the case of industrial or commercial establishments employing more than 100 workers and a slightly reduced basis of rates for establishments employing less than 100 workers. It is suggested that the major part of the housing requirements will have to be met by employers, Co-operative Societies and private building activities, and in event expectations in regard to private efforts to build adequate number of suitable houses for employees are not satisfactorily realised, Government propose, in regard to the tenements built by Government, to ask the employers concerned to pay an additional sum of Re. 1 per tenement. My Committee also understand that Government propose to implement the final scheme as would emerge after due consultation with the Bombay Provincial Housing Board, by introducing necessary legislative measures in due course.

While my Committee fully appreciate the anxiety of Government of Bombay to relieve the existing housing scarcity by introducing a scheme of assisted construction, they are of opinion that it is essential that Government should not rush through the proposal without giving sufficient time to the interests concerned to consider the feasibility and workability of the scheme as a whole and submit their detailed views on the various aspects of the programme. Besides, as the proposed scheme entails imposition of financial obligations on employers as mentioned above, they consider it but fair that the employers should be given a reasonable opportunity of studying and assessing the effects of these obligations and placing before Government their considered views on the same.

My Committee, therefore, request Government to give due weight to the consideration stated above and hope that they would be pleased to circulate the full details of the scheme to the employers and commercial organisations and

give them at least a period of one month within which they may submit their views and observations.

Letter No. 1677, dated 25th June 1947, from Chamber to the Political and Services Department, Government of India.

The attention of the Committee of the Indian Merchants' Chamber has been drawn to Government Resolution No. 459| 46, dated the 18th January 1947 relating to the constitution and functions of the Provincial Housing Board in Bombay. They have also seen a copy of the tentative programme, outlining the proposals of Government regarding housing in Bombay, as placed before the Provincial Housing Board. My Committee would, in this connection, like to place the following views and suggestions for the consideration of Government.

The proposals of Government embrace measures of (*a*) direct construction by Government themselves undertaking construction of new houses, and (*b*) assisted construction by Government assisting employers, Local Bodies, Co-operative Societies and approved private builders to undertake construction of housing conforming to standards laid down by Government. In the process of the financing of the scheme, the proposals envisage that employers in industrial areas like Bombay, Ahmedabad and Sholapur, should be required to contribute a levy at the rate of Rs. 2 per month per employee in the case of industrial or commercial establishments employing more than 100 workers and at slightly reduced rates in the case of establishments employing lesser number of workers. Employers are, in addition, expected to put up tenements for the housing of their own labour with the assistance of Government. The precise nature of this latter obligation and the extent to which Government assistance could be expected for the same are matters on which the tentative proposals do not contain definite or detailed information.

My Committee are quite alive to the need for improving the housing conditions in Bombay. They also recognise that an organized effort with a well-defined programme is essential in order to secure that steps to increase housing accommodation proceed in a planned manner. They, however, feel that the proposals of Government in the tentative programme, particularly in the matter of the steps suggested for the financing of the scheme, seek to impose an onerous obligation on employers based, perhaps, on the assumption that the provision of housing for employees was a direct responsibility of employers. My Committee are unable to agree to this point of view. In previous discussions on this subject, and in references made by Commissions and Committees in the past

dealing with labour problems, it was more or less generally recognized that the provision of industrial housing was essentially and primarily a responsibility of the State and the Civic Authorities. The employers could, no doubt, be expected, wherever possible, to supplement the efforts of the State and the Civic Bodies by giving some special attention to the Housing of employees under the direct employment of each such employer; but the moral and civic obligation for making the necessary provision for housing generally, and for housing of industrial labour in particular, must inevitably rest with the State and with Civic Organizations. In the above view of the case, the suggestion contained in the proposals of Government for imposing a direct financial obligation on employers in the shape of a special levy for meeting the cost of housing is open to serious objection and my Committee are strongly opposed to the same.

My Committee are further of the opinion that the problem of housing should be tackled and dealt with on an all-India basis. They have all along held that on matters relating to labour welfare and legislation, a co-ordinated policy on an all-India basis was very essential in order to obviate unhealthy repercussions resulting from differential standards as between the different Provinces or areas. In fact, the primary object of setting up a Tripartite Labour Consultative Machinery was the achievement of unified progress and the evolution of an all-India policy on all matters concerning labour legislation and welfare. In the case of housing also, therefore, the provincial programme should be linked to an all-India policy. In this connection, my Committee would like to draw the attention of the Government of Bombay to the policy and proposals enunciated by the Government of India, as a result of the recommendations of a special Sub-Committee appointed at the Seventh Meeting of the Tripartite Conference held in New Delhi on the 28th August 1945. My Committee submit that the problem of housing should be solved on an all-India basis on the lines of these proposals. In particular, they would mention that under that scheme employers had expressed their willingness to make a contribution towards the building fund to the extent of Rs. 2 per month per house allotted to individual employers for the direct housing of their own labour. The liability of employers in any scheme that may ultimately be evolved by the Government of Bombay should be confined to a contribution on the above basis, viz. Rs. 2 per month per house allotted to them.

The building programme should be achieved both by direct construction by Government and by assisted construction. Government should assist employers, co-operative

societies and other building organizations both by contributions and otherwise in putting up new buildings and tenements. The exact nature and extent of the assistance in the above direction are matters of detail. My Committee believe that they will have in due course an opportunity to go into the matter more fully, when the final proposals of Government take definite shape and come up for discussion in the form of a Bill before the Provincial Legislature.

In conclusion, my Committee reiterate that it is their considered view that housing of industrial labour should be recognized as the primary and direct responsibility of the State and Civic Authorities and that no direct general financial obligation should be imposed on employers for meeting the cost of the housing programme, except to the extent of an agreed contribution in respect of such housing as may be allotted to individual employers for the housing of their own labour.

APPENDIX 100

Difficulties under the Rent Act in force in Bombay

Letter No. 666, dated 18th March 1947, from Chamber to the Legal Department, Government of Bombay.

The attention of my Committee has been drawn to a lacuna in the existing provisions of the Law controlling rent and giving immunity to tenants occupying rented premises from being obliged to vacate such premises under certain circumstances. My Committee realise that having regard to the existing shortage of housing accommodation, it is necessary to ensure that tenants are given some measure of protection from being disturbed from the premises which they are occupying. At the same time, an aspect requiring special consideration has been placed before them, and accordingly I am desired to draw the attention of Government to the same.

2. Many industrial employers provide quarters for their labour, and in some cases for their staff, such as engineers, technicians, supervisors, clerks, etc. In the case of such members of the staff, the quarters are provided with a view to facilitate the special nature of their work; often, their presence near about the sphere of activities of the undertaking is found to be either necessary or an advantage. Generally, the employees pay a stipulated amount, sometimes nominal, for the use of the residential quarters provided by the employers, which obviously will be treated as rent for purposes of the Rent Control legislation. It appears that as long as the employees pay under the said circumstances any rent, however nominal, for the use of their residential accommoda-

tion provided by the employers, for purposes of law, the relation between the former and the latter would be that of tenant and landlord, and the normal rights, privileges and protection accruing to the tenant under the existing provisions of the law would also be available to the employees occupying residential accommodation provided by their employers.

3. The above position leads to certain anomalous results under certain circumstances. If an employee, who is occupying residential accommodation offered by the employer, subsequently either voluntarily leaves the services of the employer concerned or if the latter has to terminate his services in the normal course of business, the employee, being aware of the protection afforded to him by law, would naturally take advantage of the position and refuse to vacate the residential accommodation which he has been occupying. Although the quarters were allotted to the person concerned by virtue of his connection with the employer as a servant or a member of the staff, even after the termination of that connection the ordinary protection afforded under the existing Rent Control legislation secures to him immunity from being disturbed from the premises in question. It might be suggested that the employer could resort on such occasions to the legal remedy of a civil suit for getting the employee ejected; but it will be easily appreciated that such a procedure, besides involving great delay and expense, will not serve the main purpose of making the accommodation immediately available to the new employee.

4. Government will appreciate that the above position will lead to very unexpected and unsatisfactory results. After all, the quarters of an employer are meant for his employees; in the case of change of employees, the facility of the quarters naturally should go to the new incumbents and persons who have left or whose services have been terminated should not have any hold on the residential accommodation which they were occupying.

5. Government will be good enough to look into the matter and take such steps as may be necessary to secure that in the above mentioned circumstances the employees' right of being restored possession of the premises or accommodation occupied by the employee is recognized and safeguarded.

APPENDIX 101

Policy governing Lease of Port Trust Lands

Letter No. 3212, dated 14th December 1946, from Chamber to the Bombay Port Trust.

The Committee of my Chamber have received representations from interests connected with different trades regarding the procedure recently said to have been adopted by the Bombay Port Trust in the matter of leasing Port Trust lands. It appears that lately the Trust has increasingly resorted to the practice of putting up lands for auction. Under such a system naturally the highest bidder will be entitled to the lease of the land irrespective of the specific trade, business and industry for which he may ultimately put the same to use. The system of auctioning lands, apart from introducing an element of unhealthy competition, particularly at a juncture like the present when due to existing scarcity of accommodation there is an artificial increase in the all-over demand for building sites, is, from the point of view of securing the orderly development of the trades and industries of the City, fraught with consequences of a far-reaching character.

In the first place, the Port Trust has, more or less recognised, as a matter of general policy, the reservation of specific areas for particular trades. In such reserved areas, only interests representing those trades were normally allowed to acquire plots. The introduction of a system of leasing plots by public auction will interfere with the above practice as naturally under such an arrangement, the plots will have to be given to the highest bidder. My Committee are strongly of the view that such a development would be extremely undesirable and that the Port Trust should adhere to the existing policy and practice of reserving specific areas for particular trades and excluding interests other than those engaged in the particular trade for being allotted sites of plots in such special areas.

Naturally such a system of reservation of areas by trades can in actual practice work only if the plots are let out on negotiated basis between the Port Trust and members of the respective trades. A system of auction for the purpose cannot work because auction necessarily means introduction of free competition. Obviously, therefore, along with a decision to continue the existing system of reservation by trade, the Port Trust will also have to decide against any general procedure of sale by auction so far as such reserved areas are concerned.

At the same time, my Committee realise that the Port Trust will have to evolve some basis which is fair both to the

Port Trust and to the lessees in the matter of the fixation of the rates for the plots in question. They suggest that the Port Trust should enlist the services of an expert valuer duly qualified for the purpose, on whose advice the basis for fixing the rates for the different plots and areas should be determined. The valuer after taking into account all the relevant factors, will advise on the rate appropriate for the different areas and the plots in such areas and the Port Trust should generally be guided by the said rates.

In short, my Committee are of the opinion that the Bombay Port Trust should, as a matter of general policy, lay down that (1) the existing system of reserving specified areas for particular trades should be continued and only interests representing those trades should be allowed to acquire plots in such areas, (2) that the prices for such plots should be fixed on a fair basis, the Port Trust enlisting the services of an expert valuer on whose advice the rates should be fixed, and (3) that the plots in such reserved areas should not be put up for public auction.

It is hoped that the Board of the Bombay Port Trust will be good enough to adopt the above suggestions and arrange that the policy and practice of the Trust in the matter of leasing out plots shall in future be regulated accordingly.

Letter No. 1421, dated 14th February 1947, from the Bombay Port Trust to Chamber.

I am directed to refer to your letter 3212, dated 14th December 1946 on the above subject and to say that the matter was placed before the Trustees at their last meeting.

2. I am to say that after careful consideration of the points raised by you, the Trustees decided to re-affirm their general policy of auctioning plots with a view to securing their full market value. The Trustees, however, are not committed to selling every plot by auction and each case is considered by the Board on its merits. I am to point out that the policy of auctioning has been followed both by the Government of Bombay and the Bombay Municipality for many years. No loss of dignity is involved in pursuing that policy. On the other hand, auctioning is the fairest system when there are a large number of competing applicants.

3. With reference to para 3 of your letter, I am to point out that there are large areas which are not reserved for any specific trade and that the policy of auctioning such areas is, I am to say, not inconsistent with the practice of reserving certain areas for specific interests. Even in respect of areas reserved for special interests, such as cotton, etc. auctioning

would be possible subject to a clause restricting the use of the land to the specific trade concerned.

4. As regards your suggestion that an independent Valuer be appointed, I am to say that the Trustees have placed an Officer on Special Duty to revise the schedule of rates in different areas and when these rates, which will be determined with reference to market values, are approved by the Trustees, it will be possible to dispense with auctioning in many cases. Resort to auctioning will, however, be necessary to determine the market value of plots in the very extensive Port Trust estate, since land values outside the area are not in many cases an adequate basis for the purpose.

APPENDIX 102

Lease of Plots on Elphinstone Estate

Letter No. 3213, dated 14th December 1946, from Chamber to the Bombay Port Trust.

The Bombay Rice Merchants' Association, which is affiliated to this Chamber, has placed before my Committee the correspondence that has passed between the Association and the Bombay Port Trust in regard to its application to the Trust for the lease of plot No. RR903 in the Rice Market, Manson Road, Elphinstone Estate, for the requirements of the Association. The facts of the case may be briefly stated.

The Office of the Rice Merchants' Association was previously situated in a godown building in Manson Road in the New Rice Market. The explosion of April 1944 destroyed the said building and consequently the Association has been without any office premises of its own since that period. This naturally had put both the Association and the Rice Trade to considerable inconvenience and in order to make permanent arrangements for the housing of the Association in a proper manner, the Port Trust was approached with a request for the above plot being leased out to the Association.

After a good deal of preliminary negotiation into the details of which it is not necessary to enter at this stage, it was tentatively agreed between the representatives of the Association on the one hand and the Land Manager of the Bombay Port Trust on the other, that the above plot be leased to the Association at a rent of Rs. 4 per square yard per annum with permission to put a structure, the Ground Floor of which will be used for godown accommodation and the Upper Floors for office purposes. The agreed rent was fixed on the basis of the rates at which the neighbouring plots in the Rice Market were let out by the Trust. The Association

also paid the deposit money as required under the agreement. Subsequently, however, the Land Manager informed the Association that it had been decided to let out the plots destroyed by explosion in the Rice Market by public auction and it was proposed that the rate for the above plot would be fixed by the Trustees after the adjoining sites had been auctioned. The Bombay Rice Merchants' Association naturally feels aggrieved by this decision of the Trustees and has approached my Committee with a request that they should place the matter before your Board once again with a view to the whole position being reconsidered.

In this connection, my Committee have addressed a separate letter to the Bombay Port Trust emphasising their objection in principle to the Port Trust adopting a policy of auctioning plots on the Port Trust estates. They have stressed the importance of adhering to the system of earmarking specific areas for particular trades and allotting the plots in such areas only to members or applicants interested in that trade. They have also suggested that the rates for the plots should be fixed on the basis of expert valuation and have expressed themselves against such plots being put up for public auction which might ultimately lead to outside interests establishing themselves in areas reserved for particular trades.

At all events, my Committee feel that the application of the Bombay Rice Merchants' Association for the lease of the above plot is one which calls for some special consideration. The rice trade has contributed materially to the advancement of the Port and the Port Trust is under an obligation to extend to that trade all possible facilities. It is not necessary here to recall the discussions between the authorities of the Port Trust and the representatives of the rice trade anterior to the earmarking of the area in the Elphinstone Estate for the use of that trade. It is hoped that the Port Trust authorities will adhere to the existing arrangements and continue to reserve the plots in that area for the exclusive use of the rice trade and will not in any way contribute to the existing arrangements being upset by throwing open plots in that area for being disposed of by public auction.

The claim of the Association for being allotted the plot in question at the rate tentatively agreed to between the Association and the Land Manager of the Port Trust merits special consideration of the Board of the Bombay Port Trust. The relations between the Rice Merchants' Association and the Bombay Port Trust are such that the Trust should not, in the opinion of my Committee, try to take advantage of the existing conditions of shortage of godown and office accom-

modation by forcing the Association to pay a rate higher than that already provisionally agreed to.

My Committee, therefore, request that the Board of the Bombay Port Trust will be pleased to reconsider the matter and to be good enough to agree to lease the plot in question to the Association at the rate tentatively agreed to between the Association and the Land Manager of the Bombay Port Trust.

Letter No. B|BL-L(EN)|512, dated 9th July 1947, from the Bombay Port Trust to Chamber.

With reference to your letter No. 3213, dated 14th December 1946 requesting that the lease of old Rent Roll No. 903, Mansion Road, to the Bombay Rice Merchants' Association be granted at a concessional rate of rent, I am directed to say that your letter together with the application of the Association for a lease was placed before the Trustees. After careful consideration of various points raised both by you and the Association the Trustees fixed the rental for the lease at Rs. 12 per square yard per annum.

On a subsequent representation from the Association, the matter was again placed before the Trustees at their meeting held on 17th June 1947.

The Trustees note that the Bombay Rice Merchants' Association is not a trading body and that it does not intend to enter into the lease for the purpose of securing a profit. They also note that the Association represents the Rice Trade which has contributed a large amount towards the revenue of the Port Trust.

They, however, regret that they cannot accept these arguments advanced by the Association as justifying a departure from their established principles in regard to the fixation of rents.

If these contentions were accepted all large trade associations and importers would seek concessions, and there would be no limit to the amount that the Port Trust would be called upon to forego.

In the circumstances, the Trustees regret they see no justification for a reduction in the rent already fixed.

As regards the question of leasing plots by public auction or tenders I am to invite reference to this Office letter No. 1421, dated 14th February 1947, communicating the decision of the Trustees in the matter.

APPENDIX 103

Town Planning Scheme and the Elphinstone Estate

Letter No. 1571, dated 17th June 1947, from Chamber to the Bombay Port Trust.

My Committee understand that the Town Planning scheme is being applied to the Elphinstone Estate and that the necessary formalities in connection therewith are now being gone into.

In this connection their attention has been drawn to a practical difficulty. The tenants in the Elphinstone Estate may be roughly divided into two classes, namely—

(1) those who have entered into long lease with the Port Trust Authorities, and

(2) those who are holding the plots on a monthly or yearly tenancy basis.

In the case of plots governed by long-term leases, on the completion of the Town Planning, obviously, the areas and the plots with such readjustments as may be necessary in consequence of the Town Planning will, my Committee presume, be offered to the existing lessees, for the right under the lease may be expected to continue, subject of course to such changes as are inherent in the scheme of Town Planning.

Doubts, however, have been raised in regard to the future position of plots held on yearly or monthly tenancy basis. Naturally in the process of the implementation of the Planning Scheme, the existing tenants may have to vacate their plots; there may also be some changes in the layout. As far as possible the existing tenants should be given the right of re-occupation after the completion of the Town Planning Scheme and to continue the annual or monthly tenancy on the same terms and conditions subject of course to such adjustments or alterations, as may be rendered necessary as a result of any change in the area of the plot, etc. following the Town Planning Scheme. My Committee believe that the above suggestion is quite fair and reasonable. The parties concerned have been the tenants of the Port Trust and they should not be displaced because they had temporarily to vacate the plots for purposes connected with the Town Planning Scheme. In order to give the necessary re-assurance to the tenants in question, my Committee suggest that the Port Trust Authorities should give a general undertaking to the effect that the existing yearly and monthly tenants in the Elphinstone Estate would be given the right of first refusal in respect of these plots even after the coming into force of the Town Planning Scheme.

You will be good enough to place the above matter before the Trustees and take the necessary action at an early date.

APPENDIX 104

Scarcity of Fuel Supply in the City

Letter No. 551, dated 4th March 1947, from Chamber to the Director of Civil Supplies, Government of Bombay.

I am directed by the Committee of the Indian Merchants' Chamber to draw the attention of Government to the very grave condition now prevailing in regard to supplies of fuel for civil consumption, both in the City and in the suburbs. While realising that the supply position in regard to charcoal was aggravated by the disturbed conditions in the North Thana District as also in Kolaba, the Committee feel that the position should not have been allowed to deteriorate as much as it did, and the authorities should have, in view of the unsatisfactory position of transport and labour conditions, followed a policy of keeping in reserve sufficient stock of coal for use in emergency conditions.

My Committee have carefully examined the conditions of scarcity prevailing in the city and have been reliably informed that since a long time past Government had carried on the distribution from day-to-day on the basis of arrivals and not built up any reserve. As Government are aware, the public, more or less, were taken quite unawares by practically wholesale stoppage of coal supplies for some time, both in the city and the suburbs. It should also be realised that owing to the difficult situation prevailing for residential accommodation, there was no scope left for the public to keep even a small emergency reserve, let alone the wherewithal to maintain such a reserve.

The Committee are constrained to remark that the conditions in North Thana and Kolaba were slowly deteriorating since some time and there were sufficient indications in advance that the coal situation would cause anxiety in the future. It was upto Government to warn the public of the impending critical condition of coal supplies. It is felt that there was some laxity in handling the situation and they would seriously point out here that in future the Civil Supplies Department should plan in advance for such contingencies.

My Committee welcome the step, in the circumstances that have developed, of introducing rationing of charcoal supplies in the suburbs on the basis of KH Ration Cards. They would, however, like to point out the several drawbacks

in the procedure of rationing of coal as fixed by Government. The KH Ration Cards obviously have not been issued to the entire public. There are many who may not have applied for the same, not having the need to buy kerosene. It would be difficult under the circumstances for such of those who may not have had KH Ration Cards to procure coal supplies. Coal is available under the rationing system on the basis of KH Ration Cards of five units and above in the suburbs. The hardship of those having ration cards under five units will be realised by Government. In the opinion of my Committee the quota fixed for five units is also inadequate.

Time and again Government had announced that firewood was available freely for the use of the public, but the experience of the public has been otherwise. The *Khar* quality of coal should also be made available to the public more freely.

The Committee are informed in this connection that satisfactory stocks of kerosene have been built up in the city. It is, therefore, requested that Government will be pleased to increase the kerosene quota under the rationing scheme which would also go a long way in easing the present charcoal situation.

Letter No. 958|1408|IV-F, dated 24th March 1947, from the Civil Supplies Department to Chamber.

Reference your letter No. 551, dated the 4th March 1947.

With reference to your letter referred to above, I am directed to inform you that Government in the Civil Supplies Department appreciate your anxiety with regard to supply of charcoal in the Bombay city and the suburbs. But it seems that on the various points raised by you in the above letter you are misinformed.

There has not been at any time complete stoppage of supplies in the city nor a state of emergency has ever developed. The supplies have hitherto been normal, and this has been done at the cost of using up the reserves during the Bombay riots when imports had considerably decreased. In the Bombay Suburban District (B.B) controlled distribution of charcoal has been started with a view to maintain regular and equitable supplies of charcoal. Some defects in this system have since been removed and the quantum has been fixed on the basis of the available stock and anticipated production in the area from where this part of the Bombay Suburban District usually gets its supplies. The other supplementary fuels like khar, firewood, etc. are unrationed and available to the public.

Government have been vigilant and alert in respect of the unfortunate troubles in the Thana and Kolaba districts and all possible steps have been taken in good time to avert any crisis in the production of charcoal and to restore normalcy.

APPENDIX 105

Introduction of the Electric Grid System in the Bombay Province

Letter No. 893, dated 14th April 1947, from Chamber to the Public Works Department, Government of Bombay.

The Association of Electrical Undertakings, Bombay Province, which is affiliated to this Chamber has forwarded to my Committee a copy of their communication No. AEU| 39|16|47, dated the 16th January 1947, addressed to the Honourable the Prime Minister on the above subject. The Association in the course of the said communication has requested that Government would be pleased to furnish the interests concerned with full information and factual data regarding the stage and other details connected with the introduction of the Grid system in the presidency. In particular, the Association has asked for figures relating to the estimated working costs, expected financial results, and the rates proposed to be charged for the purposes of supply of energy. It is very essential that the public generally and the commercial interests in particular should have a clear idea of the financial implications and results of the scheme as a whole, and my Committee support the request of the Association that Government should place before the public a complete picture furnishing all the details and the data on the lines suggested by the Association.

In the communication in question, the Association has also drawn the attention of Government to the rising trend of prices for electrical materials and machinery and the likelihood in consequence of the scheme costing Government much more than previously expected. It is hoped that this factor will also be given adequate consideration by Government.

My Committee request that Government will be good enough to give this matter their early attention and place before the public and the commercial community a complete and detailed picture of the scheme and proposals of Government for the development of the Electric Grid in the province.

APPENDIX 106

Speeches of the President and Vice-President, delivered at the Quarterly Meetings of the Chamber

Speech of Mr. Ratilal M. Gandhi, M.L.C., President, Indian Merchants' Chamber, at the First Quarterly General Meeting on Friday, the 2nd May 1947 at 4-30 p.m. (S.T.).

LADIES AND GENTLEMEN,

The Report of the work done by the Committee during the previous quarter has already circulated to members through the medium of the Monthly Issues of the Journal of the Chamber.

The Quarterly General Meeting, perhaps, is not an appropriate occasion for attempting a detailed review of the political situation and developments in the country. I will, therefore, be very brief in my reference to the developments in the political sphere. On 20th Feb. 1947 the Prime Minister, Mr. Attlee made a momentous statement defining the attitude of His Majesty's Government for effecting the transference of political power into responsible Indian hands. After reiterating British Government's desire to hand over the responsibility of the future Government of this country to representative authorities established by a constitution in accordance with the Cabinet Mission's plan, the Prime Minister announced that it was the definite intention of His Majesty's Government to transfer political power by a date not later than June 1948 and in the meanwhile, to take all preparatory measures which would facilitate such a final transfer of power. The Prime Minister also expressed the anxiety of His Majesty's Government to hand over their responsibilities to a Government in India which rested on the sure foundation of the support of the people and towards that end appealed to all the parties to sink their differences in order that the country may be ready to shoulder the great responsibilities which would fall on it next year. This declaration of policy and the appeal accompanying the same should have brought about the necessary element of realism in the conduct of our political affairs. Unfortunately, however, we have not been able to free the country from the obsessions and bickerings of party politics, and the atmosphere of mutual distrust and suspicion is standing in the way of an earnest attempt to prepare the country to get over the period of transition in a smooth and orderly manner.

Simultaneously, His Majesty's Government also announced the appointment of Lord Mountbatten as the new Viceroy of India who was entrusted with the work of transferring to Indian hands the responsibility of the Government of India in a manner that would best ensure the future happiness and prosperity of the country. The new Viceroy, after his arrival in the country, has been holding a series of consultations obviously for the purpose

of determining the next stages of carrying out his mission. There are indications of a fresh attempt to bring the main political parties together with a view to exploring possibilities of a basis of common agreement on which to plan the further stages. While we wish these efforts every success, it is at the same time necessary to remind His Excellency of the earlier assurance of His Majesty's Government that political intransigence in any camp would not be allowed to veto the progress of the country.

The Constituent Assembly which was set up in accordance with the Cabinet Mission's plan and by which His Majesty's Government stand committed, should be enabled to proceed with its task of framing a constitution based on the largest common measure of agreement and if His Majesty's Government, true to their earlier intentions, reiterate their determination to accept the constitution so framed, the atmosphere of unreality at present enveloping the further stages of the political evolution will automatically disappear. In any case, there is no getting back from the position that power has to be transferred before June 1948 and it should be transferred to a Government functioning under the Cabinet Mission's scheme, evolved by the British Government themselves, and on the basic features of which the main political parties had at one stage or the other, expressed their approval.

In the meanwhile, the country is passing through a terrible ordeal. We are, day after day, hearing reports of insensate acts of mob frenzy from different parts. A general sense of insecurity prevails. Large areas in the North West Frontier Province, Punjab and Bengal are subjected to more or less mob rule. The tragedy presented by these developments is too deep and poignant for words. Political differences cannot be resolved by recourse to unbridled acts of violence. It is the duty of all those who have the good of the country at heart, whatever their political or party predilection, to end this nightmare and to see that the forces of law and order are re-established. The joint appeal issued by Mahatma Gandhi and Mr. M. A. Jinnah, let us hope, will not be in vain and His Excellency the Viceroy's efforts for restoring peace and tranquillity has the support of all those who have got the good of the country at heart.

The Inter-Asian Conference

Having given you a sombre picture of the Indian politics it is but proper that I should now refer to a memorable and unique event in the annals of this Continent, the opening of the first Inter-Asian Conference at Delhi on March 23 under the auspices of the first National Government of India. Thirty-two nations, nearly half the population of the world, from Korea to Egypt, were represented at the Conference ; and Purana Quila, which enshrines within itself some of the most glorious memories of Indian history, was appropriately chosen as the venue. The

gathering of the Asiatic Nations was itself the result of a widespread urge and awareness among them of the common problems that face the peoples of Asia and of the necessity impressed upon them by the force of events for meeting together and demonstrating to the world the renaissance of the spirit of Asia—that inherent dynamic spirit lying dormant since European domination of Asia and the consequent isolation of the countries of Asia from one another. As you are all aware, the Conference was precluded from going into or discussing the internal politics of any country, as the same was rather beyond its scope. The objects of the Conference were mainly to study and discuss common problems, pave the way for closer relations and to know each other better. Even so the summoning of this Conference arrested the attention of some in Europe and America and roused their suspicion that this was some kind of Pan Asian movement directed against Europe or America. Pandit Jawaharlal Nehru set at rest such fears and doubts by emphatically declaring at the Conference that " we have no designs against anybody ; ours is the great design of promoting peace and progress all over the world ". True to the spirit of his assertions, there was not a single sign of anti-European or anti-American feeling visible at the Conference.

In the attainment of the main purposes, the Conference was a complete success, thanks to the magnificent response which all the countries of Asia gave to the invitation of India. After the opening session, the Conference split itself into groups and concentrated on the study of various questions and problems that affected all Asiatic countries and that were capable of solution by common and concerted efforts and in consultation together. The group reports that have been issued reveal the hard work that has been put in by the delegates, who have not stopped with mere enthusiasm but brought to bear on their work a sense of practical idealism. In spite of difficulties, it is significant to note that the Asiatic countries have agreed with one voice to face them frankly and settle them by mutual consultation and agreement and dispense with the intervention of Colonial powers.

I may now briefly refer to some of the group reports as evidencing the realistic approach of the delegates to some of the vital problems that affect the Asiatic countries in common. The Report on National Movements for Freedom emphasizes the importance of every Asian country not rendering direct or indirect aid to a Colonial power in keeping an Asian country under subjection and recognizes the desirability of ending alien political rule by common effort. The four-point report on racial problems and inter-Asian migration suggests that there should be complete legal equality of all citizens, complete religious freedom of all citizens, no public social disqualification of any racial group and equality before law of persons of foreign origin who have settled in any country. The group reports on the transition from

Colonial to National economy, on Agricultural Reconstruction and Industrial Development reveal an enormous scope for joint consultation and action. It is not possible for me to even briefly summarize the valuable material these reports contain, within the small compass of my speech today. However, I may mention one significant point that aroused discussion in this group and that was the role of foreign capital in Colonial countries. The report says that great care must be taken in determining the conditions under which foreign capital is imported and among such conditions should be considered the desirability of imposing limits on profits and ensuring the maintenance of minimum living standdards. You will agree this problem of foreign capital is really important inasmuch as all of us know the effects of the exploitation of India by foreign capital. Finally, the Conference took the decision of establishing the Asian Relations Organization with the object of (1) promoting the study and understanding of Asian problems and relations in their Asian and world aspects, (2) fostering friendly relations and co-operation among the peoples of Asia and between them and the rest of the world, and (3) furthering the progress and well-being of the peoples of Asia. You will agree that the establishment of this Organization is an important landmark in the history of the Asian countries and will go a long way in sustaining the spirit evinced at the Conference for a long time to come.

Unexpectedly enough, but agreeably to the wishes of the delegates, the closing session of the Conference was addressed by Mahatma Gandhi, the apostle of non-violence and peace, who raised the moral tone of the Conference and gave his message of " ONE WORLD " and " Conquest of West, not through vengeance because you have been exploited in the past, but through love ". He implored the delegates to re-deliver this message with the greatest emphasis. I do not think, gentlemen, within the time at my disposal, I have done even bare justice to the review of this historic session. Let me only conclude with the Poet :

" So ! It is the beginning
Of a new epoch which shall mark for man
The falling off chains, the calling off
Of slavery and bondage :—the beginning
Of a brave epoch when
All Asia wakens and is bent on winning
An honourable humanhood for man ! "

Budget of the Government of India for the Year 1947-48

The Budget of the Government of India for the year 1947-48 and the proposals for additional taxation evoked a good deal of controversy. The main lines of criticism were that the pattern of public expenditure in the country did not reflect any change, that the cost of defence and general administration continued to be the

most dominating factor on the expenditure side of the budget, that the socio-economic objectives outlined by the Honourable the Finance Member could be realised only by planning the national taxation policy in such a manner as to increase the volume of production and consequently increase the size of the national income, and that the facile expedient of stepping up rates of direct taxation alone would not secure the process of a more equitable distribution of wealth and income in the land. It is necessary at this stage to acknowledge that the Indian commercial and industrial interests are alive to the need for relieving the country from the maladjustments of a primitive economy. They share the anxiety of those in power for efforts for removing the social inequalities. The march of time is irresistible and on the eve of political independence India necessarily has to plan for an era of socio-economic progress. The Bombay Plan which, in a large measure, reflects enlightened public opinion in regard to all these changes gave due importance to these ideological considerations. But the above objectives cannot be attained overnight by merely revolutionising the tax structure and yet continuing the existing pattern of public expenditure.

The country is still in throes of the rigours caused by inflation. The all round shortages are causing serious hardships to the masses of the population. The discontinuance of war-time occupations and demobilisation make the question of increased avenues for employment a pressing problem. These requirements can be met only by a planned increase in production through expansion of industry and agriculture and the fiscal and taxation policies of the country should be so adjusted as not to interfere with that objective. A steep rate of tax at such a juncture on income will inevitably restrict the volume of savings and interfere with the supply of capital necessary for increasing and expanding production. Direct taxation has always a great deterrent effect on enterprise and a policy of continued increases in rates of taxation cannot but come in the way of the resurgence of a will to produce more. The general fears expressed during the course or the discussion of the new taxation measures were that violent and drastic changes in taxation structure and policy of the kind initiated this year would remove incentive, retard industrial development, make capital shy and delay the progress of planning, reconstruction and development.

Let me again make it clear that the commercial and industrial community are alive to the need for increased revenue resources for enabling Government to secure the necessary structural re-adjustment of the very basis of our economy. They also realise that the rich in the country will have to bear a comparatively larger burden. They are only anxious that the process should be achieved in an orderly manner. Before making far-reaching changes which *prima facie* do not show the impress of a careful or scientific examination Government should have gone

into the whole problem with the assistance of an Expert Committee so as to examine what adjustments or modifications of the existing tax system as a whole, was necessary in order to produce a properly balanced scientific tax structure, fair in its incidence and adequate to the needs of a development policy.

Having explained our approach to the question as a whole, I would pass on to a brief examination of the main features of the changes in taxation introduced this year. The most important change in direct taxation is the enhancement of the Super-tax rates. The total tax and super-tax will now amount to 15½ annas in the rupee on Rs. 1,20,000 unearned and Rs. 1,50,000 earned incomes. In other words, in future unearned income over 1.2 lakhs and earned income over 1.5 lakhs will be practically wiped out, the margin of half-an-anna in the rupee being almost taken up by disallowables. The effect would be that the incentive to earn is removed by this high rate and consequently private savings available for being ploughed back into investments will necessarily be curtailed. This will work against the realisation of an expansionist policy which is the need of the moment.

The levy of a special Business Tax is the other direct burden imposed on trade, commerce and industry. It is a matter for some satisfaction that the original proposal for a 25 per cent tax on profits exceeding one lakh of rupees has been modified and that the tax is now to be levied at the rate of 16 2/3rd per cent after allowing for an abatement of 6 per cent on the capital at charge. The modifications, while mitigating to some extent the rigours of the earlier proposals, are still far short of the requirements of the situation. Enterprises working with a small capital and relying on borrowed monies for their working capital, do not seem to have received the necessary consideration. Similarly, the rate of 6 per cent fixed for the standard abatement also falls short of the expectations. Moreover, business of the type of General Insurance, Banking, Investment, Shipping, etc. should have been exempted from this new tax.

The Honourable the Finance Member also added a new tax on Capital Gains for which there is no precedent in any country of the world excepting the U.S.A. As our Vice-President is making a detailed reference to this item of taxation in his speech, I will not take up your time by examining its implications or defects and drawbacks.

Before concluding my comments on the Budget of the Central Government, I would like to reiterate the demand for a more thorough scrutiny into public expenditure in this country. Even in normal times expenditure on defence accounted for more than 50 per cent of the total expenditure. Civil administration came next in order. Social services and nation-building activities had to be relegated to the background. A country like the U.K. spends 13 per cent of its national income on social services as against 9

per cent on defence and general administration. The corresponding figures for the U.S.A. are 8 per cent and 5 per cent, and those for Australia 7 per cent and 4 per cent. India, however, is content by allowing only 2 per cent for social services as against 6 per cent for general administration and defence. The contrast is more significant when we remember that the allocation for administration in India is three times that for social services, whereas in all other countries the allocation for social services is generally much more than for administrative expenses. These defects in the pattern of national budgetting which are obviously a legacy of the past, have first to be tackled.

Labour Unrest

Another phenomenon which is giving serious cause for concern is the frequency of stoppage of normal work and production due to subversive activities among the ranks of the labourers. At a juncture like the present when we are confronted with the problem of all round shortages, the loss in working hours and the consequent setback in production and output have to be strongly deprecated. Nobody disputes the right of labour to a fair deal. We also recognise that labour has the inherent right of securing that fair treatment to which it is entitled by all legitimate and reasonable means. At the same time, labour must recognise its duty towards society and should not develop an attitude of intransigence and almost hold the public to ransom as in the case of the recent Tramway strike in this city. From time to time, the figures relating to loss in industrial production resulting from cessation of work such as strikes, lock-outs, etc. have been published. The Governments, both Central and Provincial, are committed to programmes designed to improve the conditions of work and life of the labouring classes. The Government of India have sponsored a Five-Year Programme of labour legislation. As a matter of fact, during the last year, several measures of labour reform of a far-reaching character have already been enacted. Other important measures are under active consideration. In Bombay the new Industrial Relations Act, which some are inclined to think as being quite in advance of time, has already been put on the Statute Book. It is an attempt to provide a machinery for the settlement of disputes between employers and employees and for securing, by peaceful means, changes governing conditions of employment, both industrial and commercial. Even if in some of its provisions the scales are somewhat titled against the employers, the scheme should be given a fair trial so that the relations between capital and labour may be subjected to a new method of approach. Labour must, at the same time, play its part in assisting this process of orderly progress. Disputes, either of a collective nature or with individual employers, should be settled through the recognised process of conciliation, arbitration or adjudication. Side by side with the demand for increased wages and better conditions

of service, there should be an attempt to increase efficiency and bring about greater output. It must be realised that " higher earning without greater efforts is a sure path to economic chaos ", because society cannot pay for all times for unlimited social benefits with limited work. Labour will be taking an enlightened self-interest if it gave proper attention and consideration to these long-term implications of its part in the progress of industry in the country.

The Rupee and the Termination of the Link with the Sterling

The recent development removing the obligation on the Reserve Bank of India to sell Rupee at a stipulated rate in return for sterling and purchase Rupee in a like manner will be considered as a landmark in the currency history of India. The step is but a logical outcome of the emergence of this country as an independent unit and its membership of the International Monetary Fund. It was a serious grievance with us in the past that the exchange value of the rupee was determined and fixed by considerations other than national. The Rupee had perforce to follow the fortunes of the sterling and the value of the rupee in terms of other international currencies also changed, following changes in the value of the sterling. The present unenviable position in which the country finds herself today of being obliged to accumulate a large sterling credit in England is also due mainly to the obligations imposed on this country consequent upon the link with sterling. The change in the legislative provision referred to above vests in the Government of India the necessary power to fix the exchange value of the rupee in terms of various other currencies. These values naturally can now be independent of the values prevailing at any time in terms of sterling. In actual practice, however, there may be a period of transition during which we may not be able to act independently of the sterling, the more so because of the existing position of our foreign exchange resources being concentrated in sterling. Although, therefore, the step may not perceptibly at the moment affect our foreign exchange policy, besides the sentimental value, it stresses the independence of the country in economic spheres.

Elimination of Silver from Indian Coinage

With a view to obviate chances of the silver content in the coins fetching a price higher than their face value, Government during the period of the war, changed the provisions of the Indian Coinage Act reducing the silver content of the rupee, half-rupee and the quarter-rupee to fifty per cent. Even at that time the Indian public viewed this act of debasing the Indian coinage as a retrograde step. However, as it was deemed to be as in the nature of an emergency measure the protests were not very vehement. Subsequently, half-rupee and quarter-rupee coins were issued in pure nickel, the metallic rupee alone continuing as a

silver coin with fifty per cent silver content. The Government of India recently passed the necessary legislation amending the Indian Coinage Act which gave power to Government to issue coins, including the Rupee, in any metal, thus eliminating altogether the age-long practice of the use of silver in Indian coins. India is a country where tradition and sentiment play an important part in influencing public opinion. We recognise that coinage theory and practice have witnessed considerable changes in advanced countries and that most of the countries have now ceased to use any precious metal for their main coins. The silver Rupee, with its ancient tradition, has its own element of appeal to the people of this land and the developments in coinage practice in other countries are not sufficient excuse for forcing a measure on the people of this land which may come in the way of the restoration of a feeling of confidence in the inherent strength of the Indian currency and coinage system. The temporary difficulties caused by the shortage of silver supplies and the high prices thereof might have been overcome by refraining from minting new Rupee coins for the time being, the immediate needs of rupee currency being met by the issue of Rupee Notes. It is unfortunate that a step, which will be generally looked upon with suspicion by the masses of the land, should have synchronised with the emergence of this country as an independent land. It is necessary to sound a note of warning that our administrators, in their zeal for reform, should not be led to practices and policies in facile imitation of what may be obtaining in other countries ; such steps will have to be considered and examined in the context of affairs and conditions obtaining here. The East has used silver in its coins from times immemorial. Rupee and silver used to be more or less synonimous terms with the masses of the land. The reform, dictated perhaps by considerations of expediency, will deal a heavy blow to that feeling of confidence in the intrinsic strength of the coin.

Speech of Mr. Ramdas Kilachand, Vice-President, Indian Merchants' Chamber, at the First Quarterly General Meeting on Friday, the 2nd May 1947 at 4-30 p.m.

LADIES AND GENTLEMEN,

The President has, in his speech, dealt with some of the questions which are engaging our attention at the moment. I would like to supplement the same by a few observations on matters of topical interest.

Sterling Balances

Reports have appeared in the press that final negotiations regarding settlement of India's sterling balances are expected to start in London during the course of this month. We would have very much preferred these negotiations to take place in India.

India, as the creditor country, is entitled to expect Britain to come to this country with her plans and proposals for settling this long-standing matter. When England wanted to conclude a Loan Agreement with the U.S.A., she did not think of asking the representatives of the States to go over to London for the purpose. However, the Government of India seem to have agreed to the procedure of having the final talks in London. We would, at this stage, therefore, only emphasise the need for sending out a strong and representative delegation. The Indian public and the Indian commercial community have urged that in view of the importance of the occasion, the delegation should include leaders of thought drawn from the non-official commercial sphere. We are aware that the Government of India today is composed of representatives of political parties. It may, however, be pointed out that in the existing position of transition the Indian Delegation would command greater respect and attention if, by the presence of accredited non-official leaders therein, it is shown to the British authorities and the public that the demand of the Delegation have the full support and backing of non-official public opinion in this land.

It is somewhat ominous that simultaneously with the announcement for the resumption of final negotiations, an almost studied and inspired propaganda for scaling down these balances should have re-started. During the course of the Budget Debate in the House of Commons last month Mr. Brendan Bracken, pleading the case for reduction in these debts, posed a question whether Britain was " really to pay an enormous reparation to India for saving her from Japanese invasion ". Mr. Winston Churchill, on an earlier occasion, was equally vehement about Britain having borne a large part of India's war bill. Dr. Dalton, the Chancellor of the Exchequer, also mentioned in the House of Commons that the British Government reserved their right to present a claim on India for the defence of India during the war. A statement of that character from a spokesman of the Labour Government in power has, indeed, to be taken seriously even if ebullitions of hard-boiled critics of India like Mr. Winston Churchill and Mr. Brendan Bracken are to be brushed aside. The suspicion, is, therefore, irresistible that the ground is being cleverly prepared for confronting India with a counter claim and on that basis for making this country agree to a scaling down of the sterling balances. The myth of Great Britain having borne a part of India's war burden has been exploded. India during the period of 8 years commencing from 1939 spent more than 1,800 crores on her war measures, excluding certain items of capital expenditure connected with the war. Apart from this direct financial burden, the contribution which she has made by subjecting the people of the land to the rigours and miseries resulting from an economy controlled for subserving the allied needs cannot be measured in terms of cost. The Indian Delegation, therefore, has a difficult

task and they must, from the very beginning, set their face definitely against any talk of a possible reduction of these balances either as a measure of self-denial or as a set off against any untenable claims of the above character.

The London *Times*, which can normally be taken to reflect the opinion of the City interests there, speciously suggested early this year that " if India declines to sanction any reduction in the total weight of the debt, the process of repayment must be slow and conditional ". The implication obviously is that as an overburdened debtor, Britain might take unilateral action by spreading over the repayments for an inordinately long period of years or by freezing the balances so as not to make them available in a form and manner which would meet the requirements of this country. We hope that the point of view implied in this veiled threat is not shared by the spokesmen of the Labour Government, for any such delaying proposals or artificial obstructions would be a flagrant breach of the solemn undertakings given by late Lord Keynes at the time of the Brettonwoods Conference to " settle honourably what was honourably and generously given ".

India is chiefly concerned with prospects of using a substantial part of these balances for importing capital equipment needed for her plans of reconstruction and expansion. India is presented with the opportunity of utilising resources built up through great suffering for filling up the gaps in her economic development. She cannot afford to miss the opportunity and naturally she can take advantage of it only if the credits due to her are made available in time and in a form which ensures convertibility. As these negotiations are expected to start within a few days, it is but proper that our demands and expectations are stated clearly and in an unequivocal manner. It is re-assuring to note that the Honourable the Finance Member of the Government of India, during the debate on the question in the Central Legislature and in replies to questions on the floor of the House, indicated his firm determination to seek a fair and full settlement. The matter is of vital importance to the future of the country as the manner and method governing the release of these balances will have a direct bearing on the success of our efforts for changing the face of Indian economy.

National Shipping Policy

The history of Indian shipping as stated by the Shipping Policy Sub-Committee, presided over by Sir C. P. Ramaswami Aiyar, has been, " for the National Shipping Companies, a sad story of ceaseless struggle and sacrifice ; for the people of the land it is a painful chapter of bitter disappointment at the lack of response from the Government of India to their demand for stability and expansion ; and for the Government of India it is a tragic tale of broken promises, unredeemed assurances and neglected opportunities ". Although ship-building was an important indus-

try in ancient India and although the country had all the facilities, resources and skill for furnishing " tonnage to whatever extent it may be required for conveying " the overseas trade of the land, the step-motherly attitude of the Government, both here and in the U.K. and hostility of the British vested interests led to the decline of India as a maritime power and we were perforce obliged to depend on external assistance for carrying our seaborne trade. We had nothing like a national shipping policy. The Government of India themselves recognised that for a country of size, the length of its coastline and its strategic importance in the Indian Ocean, India possessed a distressingly small number of deep sea ships, which, at the outbreak of the war, stood at more than 30, with a total of less than 150,000 tons gross. The war-time conditions stressed the vulnerability of our position. Apart from being dependent on external assistance for the defence of our coasts, we could not even make arrangements for the movement of our essentials of life. When famine was stalking the country in the face, food supplies could not be moved because the Allied Shipping Control could not place at our disposal the necessary freight space. The country is on the eve of political independence. The attainment of that status throws a definite obligation on us for making our own arrangements to defend that independence. We must also see to it that the development of our foreign and domestic commerce is facilitated by our own resources in the sphere of transport. It is, therefore, of paramount importance that India should have a large and powerful navy, both of supply and of defence, and the national shipping policy should aim at the achievement of this twin objective within a reasonable period of time.

The Sub-Committee of the Reconstruction Policy Committee on Indian Shipping have made an important contribution to the formulation of a national shipping policy by enunciating the fundamentals, objectives and targets of that policy. The Committee have recommended that the entire coastal trade of India should be reserved for Indian shipping, that Indian shipping should have a share of 75 per cent of India's trade with Burma and Ceylon and with countries geographically adjacent to India and that 50 per cent of India's distant trades and 30 per cent of the trade formerly carried in Axis vessels in the orient should be secured for Indian shipping in the next five to ten years. It is estimated that the trade reserved on the above basis would amount to more than ten million tons a year. In order to carry this trade along with a reasonable passenger trade, India will have to have shipping of the gross tonnage of two millions. The question of making this tonnage available is a matter of urgent importance to the development of this country, both in the political and economic sphere. With the assistance and goodwill of the Government of the U.K. and of the U.S.A. there should not be any serious difficulty in the acquisition or the building up of a fleet of the above

size and tonnage. A number of shipping companies have been formed in this country and on the side of financing and organisation, therefore, there cannot be any doubt regarding our capacity to achieve the above targets.

It is gratifying to note that negotiations between Indian shipping companies and His Majesty's Government and British shipping companies are expected to start very shortly for securing the expansion of Indian shipping and for ensuring its effective participation in the carrying trade of the world. Our past experience regarding the efficiency of such negotiations has been rather disappointing. But having regard to the fact that due to the change in the political circumstances, our representatives would be negotiating as the spokesmen of a free country, determined to develop its own policy of shipping, it is not unreasonable to expect that the British Government and the British shipping interests should be prepared to take a more realistic attitude of their role and part in assisting this country to seek a fair solution of this problem.

It is, however, of supreme importance to remember that every maritime country of importance has been developing its mercantile marine and that too very extensively and very rapidly. The Government of India should not lag behind in this race, so essential for the defence of the country and so imperative for its economic prosperity. The Government of India should not, therefore, rely merely on these negotiations. They should, side by side with these negotiations, adopt a militant policy, as urged by the Committee for the development of a navy of supply for this country and announce without any delay the effective steps that they propose to take for ensuring the participation of Indian shipping, on the lines indicated in the Report, in the various overseas trades of this country. It is not enough for the Government to say that they will encourage Indian shipping. Time is long overdue when they must state in clear and categorical terms what help they propose to give to Indian shipping and how they propose to secure for that shipping her just, honourable and adequate place now long overdue in the maritime activities of the world.

The Policy Committee have also made useful and practical suggestions regarding regulating the distribution of the trades that may be secured for Indian shipping and the elimination of the emergence of monopolistic conditions. They have recommended the setting up of a Shipping Board with functions analogous to those of the American Maritime Commission for " studying, perfecting and adopting a long-range programme of replacements and additions to the American Merchant Marine so as to create an adequate and well-balanced merchant fleet, including vessels of all types to provide shipping service on all routes essential for maintaining the flow of foreign commerce . . . the vessels in such fleet to be so designed as to be readily and quickly convertible

into transport and supply vessels in a time of national emergency". In addition, the Maritime Commission is also charged with ancillary functions such as the study of foreign competition, maintenance of shipping statistics, records of ocean routes and services and study of comparative costs. India must also have a Shipping Board with functions of a comprehensive character so as to give effect to the national shipping policy and make national shipping an effective instrument of national progress.

Capital Gains Tax

The President has reviewed the budget proposals in a comprehensive and a lucid manner and has rightly emphasised the repercussions the new taxes will cumulatively have on private enterprise and private initiative by making capital hesitant for new projects. I, therefore, propose to confine myself to the examination of the new tax on capital gains which, as you are aware, is foreign to our Income-tax system, inasmuch as the same is modelled on the basis of the Income-tax Law obtaining in England and where capital gains are definitely excluded from taxation on the ground that they are realised " outside the ordinary course of trade " and that such gains constitute only ' casual ' income.

The original Bill introduced in the Assembly by the Finance Member to amend the Income-tax Act, 1922 and the Excess Profits Tax Act, 1940 so as to include within its scope tax on capital gains, underwent material changes at the Select Committee stage and on the acceptance of the recommendations of the majority of the Committee by the Finance Member, the Bill as amended will now constitute the Income-tax Amendment Act, 1947 for the purposes of taxing capital gains. Thus this novel form of taxation is sought to be made a permanent feature of our Income-tax Law. For purposes of taxing capital gains, the term ' capital asset ' has been defined as property of any kind (other than agricultural land) held by an assessee whether or not connected with his business, profession or vocation, but does not include any stock-in-trade, consumable stores or raw materials held for the purposes of business, profession or vocation. Besides the exemptions allowed in the original Bill, additional exemptions have been accepted out of which particular mention may be made of the personal effects such as apparel, jewellery, etc. and gains from sale of house property held for not less than seven years and the transfers by a principal to a 100 per cent subsidiary.

It may be noted that income from capital gains is not to be lumped with other income and assessed with it as originally proposed but is to be segregated from other incomes and taxed separately. The exemption limit has been raised to Rs. 15,000 and the liability to tax has been limited on capital gains from transactions taking place after March 1946. The rates of taxation fixed are as under :—

Where such amount		Rate Per Rupee	Per cent
Exceeds	But does not Exceed		
Rs.	Rs.	Rs. a. p.	
15,000	50,000	0 1 0	6¼%
50,000	2,00,000	0 2 0	12½%
2,00,000	5,00,000	0 3 0	18¾%
5,00,000	10,00,000	0 4 0	25%
10,00,000	and above	0 5 0	31¼%

In respect of capital gains of Companies, relief from Super-tax is allowed but not from additional Super-tax if dividend is distributed above prescribed limit. As for losses sustained in capital transactions, it is provided that they can be set off only against capital gains and in cases where such losses cannot be wholly set off in that year, the balance can be carried forward for a period of six years.

It is a little difficult to appreciate the considerations which impelled the Honourable the Finance Member to borrow this entirely new form of taxation, almost revolutionary both in conception and incidence, from the U.S.A. the only important country where it is operating and graft it permanently on the structure of Indian Income-tax system. It was stated that the measure was intended to remove a lacuna in our Income-tax law, which, while providing for taxing ordinary income, made no provision for taxing unearned income, under which category the capital gains would come. At the same time, capital gains in recent years have been referred to as arising out of certain " prevailing conditions ", presumably the inflationary spiral, which brought about an abnormal appreciation in the prices of capital assets, which obviously does not represent an increase in real value but only a change in the monetary value. As the minority, largely consisting of non-official members, pointed out in their minute of dissent, " if it were intended merely for the purpose of taxing speculative gains, during the prevalence of abnormal circumstances, the Bill should have been a short-term measure ". Evidently, the amendment is meant to be a permanent feature of the Income-tax system, and in view of the far-reaching implications of introducing such a radical measure, I wish the Finance Member had carefully studied the operation of the tax in the U.S.A. in all its aspects, before incorporating the same in the structure of taxation in India. Again, if it were meant as a part of the budgetary policy to meet the financial needs of the country, I am afraid, it overlooks one of the cardinal principles which should guide the making of budgetary policy, viz. that it should afford the maximum incentive (or minimum dis-incentive) to productive effort

in general, while imposing the maximum restraint on spending at specific points ! As pointed out, the amount of tax likely to be realised under the amended provisions of the Bill, does not exceed Rs. 2 crores, unless it is a gross under-estimate. In view of the deterrent effects the tax is likely to produce on investment and the free flow of capital, the disadvantages far outweigh the meagre income expected from the source.

Let me refer here to the vicissitudes of the history of the Capital Gains Tax in other countries and more particularly in the U.S.A. There is no tax on capital gains in Great Britain, for reasons I have already mentioned in the beginning of my review. During the whole history of British Income-tax, Capital Gains were subjected to income taxation only twice, and that too during the period of World War I with the specific object of preventing large-scale evasion of the tax. Even the Royal Commission on Income-tax, which studied the question, was not in favour of the American system. Likewise, Canada, which has as high rates as in Great Britain both on individuals and Corporations, has no Capital Gains Tax. In France, the question of imposing a Capital Gains Tax was raised in 1939, but Paul Reynaud, the then Finance Minister, known for his far-sighted policy and the remarkable improvement of the French finances, rejected the proposal on the grounds of its unreliability and the resulting undesirable fluctuations of the Government revenue to be derived therefrom. It was further pointed out by him that introduction of such a tax would defeat sound financial and economic policy, which should aim at stability by reducing excessive economic fluctuations. However, after the French collapse, the Vichy Government introduced a tax on Capital Gains in securities at the rate of 33 per cent. But the Government was soon compelled to effect successive and frequent modifications, reducing the holding period to 12 months and then to 3 months, and the rate from 33 per cent to 20 per cent and then to 10 per cent.

The only important country which has operated the Capital Gains Tax over a long period is the U.S.A. Even here, after nearly 33 years of experimentation, since 1913 when it was first introduced, as was admitted by the Congressional Report, they have not been able to arrive at a practical, intelligent and a just law. Several amendments and modifications have been effected from time to time and yet it has failed, due to a variety of reasons, to provide a stable source of income to the State. According to the figures published by the Congressional Joint Committee on Taxation, net capital gains were insignificant for the 24 years, 1917-1941. The most unstable and unpredictable nature of the revenue from Capital Gains Tax is mainly due to its unique and distinguishing characteristic, viz. it is contingent and not absolute. It is solely a matter of discretion with the tax-payer, whether or not he decides to realise his gain. This is largely determined by the rate of taxation prevailing at a given time.

Recent studies in the U.S.A. have clearly brought out the close relationship between the rates of taxation and the revenue to the Exchequer from the Capital Gains Tax. When the rates of the Capital Gains Tax have been high, little revenue has followed, whereas, low rates have resulted in a much larger yield of revenue. The following table is illustrative of the above :

Relation of Tax Rates to Gain and Loss Realised

Variations in Capital Gains Tax and in Profits			Percentage of net gains to total income.	Percentage of net losses to total income.
Period	Profit Trend	Tax Rate		
1917 to 1921	War Period	High	0.89	24.39
1922 to 1924	Moderate Profit	Moderate	47.96	13.06
1925 to 1929	High Profit	Low	66.18	1.81
1930 to 1931	Falling Profit	Low	29.97	49.74
1933 to 1936	Recovery	High	10.50	56.21
		Grand total	47.43	15.16

In the period 1917 to 1921, with the high rate of taxation the percentage of Capital Gains to total income was less than one, in the period 1922 to 1924 with a moderate rate, the percentage of gains jumped from 1 to 48 and under the low rate between 1925-1929 the percentage of net gains reached was 66. Leaving aside the boom period, Capital Gains were at a high per cent in depression years 1930 to 1932 under low rates, than in the recovery period from 1933-1936 under high rates. Even during the 1930 to 1931, a period of falling profits, the low tax rates gave a 30 per cent net income. But in the recovery period, when the stock prices rose from 40 to 190, the percentage of gains dropped from 30 per cent in the depression to 10 per cent in the boom. The reason was obvious, the increase in tax rates, a sliding scale of five rates—with the lowest rate 30 per cent as against 12½ per cent before.

I have traced in detail the vicissitudes of the Capital Gains Tax, just to emphasise the enormous complexity involved in its operation and careful consideration it demands particularly from the point of view of its effects on mobility of capital assets in particular and the economy of private enterprise in general. It is a matter for serious consideration whether an industrially backward country like India, which has yet to make a great leeway towards industrialisation and which shall have to husband all the enterprise and resources to achieve that objective, can follow in the footsteps of an industrially advanced country like the U.S.A. even where the tax has not failed to produce serious repercussions on private enterprise. To quote Emanuel Celler :

> " The Capital Gains Tax operates as a serious deterrent to the investment of capital in the equities of business enterprises and its effect is to reduce steadily the fund of ' risk capital ' available for that purpose, since the tax obviously comes from this fund. Its effect is to prevent the investment of capital in new enterprises."

Besides, the depressing effects of the tax have been to lessen the stability and liquidity of market, seriously preventing new capital issues, so essential for expansion, recovery and employment. It further creates frozen positions in securities and real estate, restricting business activity and resultant taxable income.

State Trading

The administration of some of the war-time controls led to arrangements in various spheres which disturbed the normal channels of trade and organisations or agencies officially sponsored were set up for the handling of such trade. Now that the war is over, we have often been asking for the restoration of conditions of normal trading so that trade could be carried on through the traditional channels. As an organisation representing commerce and industry, we fundamentally adhere to the principle of private enterprise in preference to Government enterprise or controlled enterprise. We cherish the traditions of self-reliance and equal opportunities which are involved in our preference for a normal competitive economy, and we are, therefore, very anxious that the future policy of the country in the matter of preserving freedom of trade should enshrine the above basic principle. There is absolutely no need or justification for the State entering the sphere of trade either whole hog or in a limited form. The resources of Government are but the resources of the citizen and those resources should not be utilised in sponsoring activities which may inherently compete with activities of private citizens. The necessary incentive to that degree of initiative and efficiency upon which progress is built up in business undertakings will be lacking in any organisation for business set up by the State, as such organisation cannot naturally be influenced by the profit motive.

Recently the Hon'ble the Commerce Member announced a tender system for the grant of permits for exports of oil and oilseeds and certain other commodities. This was sought to be justified as a measure intended to fetch some revenue to Government by intercepting and diverting to Government a part of the profits going to the trade. We remain unconvinced of the reasons advanced in justification of this innovation. Such profits as the trade may be making on transactions of the kind resulting from

exports of the commodities in question bear their proper share of burden—the burden has been rendered more onerous by the new levy of the Business Profits Tax and by the drastic changes in the slabs for Super-tax in the form of taxation paid by trade. A system of granting export permits on the basis of tenders will lead to a good deal of difficulties in actual working. It will inevitably result in malpractices and corruption and one can even envisage a state of affairs under which there would be even direct trading in such licences or permits to export. By now we have experience of the extremely unsatisfactory state of affairs attending the administration of the various controls particularly in the sphere of export and import and by their new proposals Government would be providing opportunities for such abuses flourishing in a more blatant form. It is, therefore, very essential that Government should be persuaded to abandon this policy and to adhere to the old system of allowing exports to function through normal trade channels without artificial conditions of the kind embodied in the new scheme.

Moreover, the proposal has caused a good deal of uncertainty in the trade. The interests concerned are still without any details of the procedure which Government propose to follow in putting the system into force. The rules regulating the tender system have still not been made public. There is a great fear that the proposals of Government will bring about conditions resulting in the export trade in these commodities being diverted to people and channels who were not previously in the trade and who have no special experience connected with the requirements of the same. It is, therefore, our earnest appeal that the Government of India should not go ahead with these new proposals.

In the meanwhile, by the delay in settling these niceties governing the procedure regulating such exports, we are missing the opportunity to take adequate advantage of the present demand in foreign countries for the supplies of oil, oilseeds and certain other commodities which are proposed to be brought under the tender system. It may not be out of place to recall that when there was an active foreign demand for Indian cotton, due to the vacillation in our export policy, we were not able to take full advantage of that demand. By the time, Government came to a decision to allow more exports, conditions governing export demand underwent a radical change and we were not able to reach the official targets allowed for purposes of exports. We should not be confronted by a repetition of the same experience in the matter of oil and oilseeds and the country should be enabled to take full advantage of the present demand so that, in addition to finding outlets for such supplies as may be in surplus, we will be obtaining additional foreign exchange resources which we very badly need at the moment.

Speech of Mr. Ratilal M. Gandhi, President, Indian Merchants' Chamber, at the Second Quarterly General Meeting of the Chamber on Tuesday, the 5th August 1947.

FRIENDS,

The Report of the work done by the Committee of the Chamber during the quarter ended 30th June 1947, has already been circulated to members through the issues of the Monthly *Journal* of the Chamber for the previous three months.

Freedom

We are on the threshold of freedom and independence. On 3rd June His Majesty's Government announced their plan for the transfer of power to the people of the country and on 18th July the Indian Independence Bill, giving the country and the people of the land freedom of choice to work out their own destiny, became law. On 15th August, Indian Independence will be a reality and the sons of the soil will assume complete charge of the affairs of the land. The dawn of freedom, no doubt, raises new hopes and aspirations, but our sense of jubilation and cheer is tempered by the thought that, in the process, the country has been cut into twain. This need not have happened. The picture of a united India, which we have learnt to cherish, will always remain enshrined in our minds and hearts as the ultimate ideal. There is no use, however, of crying over a split country. Political partition, for the time being, at any rate, is an accomplished fact and our best efforts will have to be concentrated on finding out ways and means of forging ties and developing relations which would, in the conduct of day-to-day affairs, minimise and eliminate the consequences and repercussions of the division of the country. By a policy of reconciliation and voluntary co-operation, the two units can, in a wide sphere, chalk out plans and programmes aiming at the development and regeneration of the country. It is possible to visualise, when passions have subsided and when there is a clearer appreciation of the new tasks and responsibilities which lie ahead and which are common to both the parts of the country, India's problems being viewed in their proper perspective, leading to a correlated and unified action which will take the country onward in her path of progress.

The fact of political partition, therefore, need not unduly dampen our enthusiasm. Many in the country cherish the hope that in the course of the years ahead, the natural forces working for consolidation will assert themselves, leading to the emergence of a united Indian polity based on reconciliation and co-operation.

Freedom imposes on us new responsibilities and new obligations. Let us undertake those responsibilities and discharge the resulting obligations with cheer and hope and with confidence in the final destiny of this ancient land.

The plant of Indian freedom can thrive only in normal weather and under normal conditions. It is, therefore, of paramount importance that at this juncture all the leaders of the country from both the areas should concentrate on the task of restoring law and order within the land. The internal economy has been battered heavily. There is acute all-round shortage of supplies. In order to end this disequilibrium, the tempo of economic activities and of production should increase. That will be possible only after the country is entirely freed from outbursts of internal strife and disorder. The two Governments will, therefore, have immediately to concentrate on steps to stamp out lawlessness and disorder and restore peaceful conditions ensuring safety of life and property in all parts of the country.

Economic and Commercial Consequences of Separation

The partition of the country raises several issues of far-reaching implications. Expert bodies are at present examining the issues of principles and policies to be observed in tackling these problems. The completion of the process of actual partition will also involve some time and several transitional arrangements seem to be inevitable. There is no special purpose in attempting today a comparative study of the natural, economic, financial, industrial and other resources of the two areas. Pakistan may claim to have excess of certain agricultural resources vital for sustaining the life and economy of the Union of India. On the other side, in the matter of industrial development and financial resources, the Union of India may find itself placed in a position of advantage. These features only go to emphasise the central fact that the economy of one part is complementary to the other and that the progress of both lies in promoting a policy of mutual goodwill and co-operation.

In the inter-war period even countries which were geographically distinct entities found by experience that any policy of economic autarchy or insularity could not work in the long run and that there were limits to the practical application of the doctrine of self-sufficiency. In the case of the two States in India the imaginary boundaries proposed to be drawn under the constitutional scheme cannot economically and otherwise make them overnight separate entities or units and the large spheres of common interests between the two Governments and two areas will inevitably persist. Each State must have sufficient economic cohesion and strength to discharge its functions and to develop the productive resources of the country in the best possible manner. The solution of these practical problems will be considerably facilitated by a spirit of helpfulness between the two authorities and there is no reason why the two Governments should not come to working arrangements, which would lead to the evolution of a common policy in spheres of activities which cut across the boundaries of the two States. It is relevant, in this connection, to point out

that even now Indian States retain freedom within their territories in large spheres of activities of common interest, but by Treaties and Agreements, a measure of co-ordination has been achieved in spheres like Currency, Customs, Tariff, Double Taxation, External Relations, Trade and Commercial Legislation, etc. Practical adjustments through a process of agreement and joint action may, to a large extent, mitigate the adverse effects of political partition, particularly in the economic and commercial spheres. There are already indications that in respect of many matters relating to common activities, a stand-still agreement continuing the *status quo* is contemplated so far as the immediate future is concerned. A more complete picture of the arrangements proposed in regard to all these transitional problems will be available before long. A detailed analysis will have to stand-over till then. In the interests of developing good neighbourly relations and with a view to promoting progress of each part, it is very essential that the leaders in the two States should evolve some basis for a long-term agreement which would ensure that the economic unity of the subcontinent is preserved notwithstanding the political and administrative separation.

Commerce Constituencies and the Future Legislature

The Montagu-Chelmsford Scheme of Constitutional Reforms introduced for the first time the system of special representation for commerce and industry. The Indian Merchants' Chamber enjoyed the privilege of an exclusive and continuous seat, representing Indian commerce, in the Central Legislative Assembly. The Chamber was also similarly given a seat in the Provincial Assembly. Similarly in almost all the Provinces, the Provincial Legislatures included direct representation for commerce and industry as also for certain other special interests. The system of special representation has been found to be very useful and the Commissions and Committees appointed in the past to review the progress of constitutional reforms in the country, have been quite outspoken in their tributes to the contribution made and to the practical utility of the services rendered by representatives of commerce and industry in the legislative work of the country. It is, no doubt, a matter of some concern to us that it is now being seriously suggested that under the new scheme of things, the system of special representation should go. In fact, it would appear that the Provincial Constitution Committee of the Constituent Assembly have expressed themselves against special representation for any interests in the Lower Houses and that the said views have been endorsed by the Assembly. These views have been sought to be justified on the ground that special representation was inconsistent with the principle of adult suffrage already adopted as the basis for determining franchise qualifications for the future legislature. While I have no desire today to enter into a discussion of the constitutional niceties governing franchise and

representation, I have no hesitation in pointing out that the decision to do away with special representation, besides involving an injustice to an important element in the country, which has made substantial contributions in the sphere of legislative work in the past, deprives the future legislative machinery and authority of the services and practical experience of a class of men who have specialised in certain spheres of activities. The Southborough Committee on the Constitutional Reforms expressed their considered view that the method of representation through Associations had worked well in the past. Similarly, the Indian Franchise Committee appointed in connection with the 1935 Government of India Act, strongly commended the system of special representation for commerce. They observed :

> " It is unnecessary to emphasise the importance of securing the presence in those legislatures of men qualified to speak with knowledge and authority on the economic issues before the legislatures on the bearing of tariff and other laws on the international market and on the variety of other subjects connected with trade, commerce and industry which call for expert consideration from time to time. The suggestion has been made that the general constituencies can be relied on to return in sufficient numbers members whose experience is such as to enable them to speak with authority on commercial and industrial questions and that special representation for commerce and industry is unnecessary in the new legislatures. We are unable to accept this view. Functional representation is assuming increasing importance under modern conditions, and the arguments in favour of making special provision for the presence in legislative bodies of business and economic experts is, in our judgment, a strong one. . . . The danger that in the absence of special representation for commerce and industry the new legislature may find themselves deprived of expert advice when it is most needed, is in our view a real one."

The above views are entitled to serious consideration. In fact, issues of economic importance, programmes connected with reconstruction and planning, codification of laws relating to trade and commerce, legislation in the spheres of Banking Insurance, Labour, etc. are likely to loom large in the legislative activities under the new order of things and it is very essential that in this formative stage of reconstruction and reorganisation, special efforts should be made to secure the presence of men drawn from the sphere of trade and industry in the legislatures, both Provincial and Central. I can only emphasise that our leaders sitting in the Constituent Assembly will be good enough to view this matter in its proper perspective and agree to continue at least for a transitional period of years, the system of special representation for

such interests in both the Houses of Legislature in the new scheme of things.

Failure of the Indo-British Shipping Talks

The recent controversy connected with the breakdown of the Conference between British and Indian Shipping interests is most unedifying. It does not augur well for the future course of Indo-British trade and commercial relations. Indian political leaders and commercial interests were endeavouring to obliterate all traces of the past bitterness resulting from the several acts of omission and commission against this country. They were really earnest in their desire to bury the hatchet and to start a new era of friendly relations. The above incident, however, raises doubts as to whether the British commercial interests, at any rate, are willing to adjust themselves to the altered circumstances.

The Shipping Conference was arranged by agreement between His Majesty's Government and the Government of India with a view to evolving a mutually satisfactory agreement between the interests concerned regarding the best method of developing Indian shipping and securing the participation of that shipping in the maritime trades of the world. It is an affront to the self-respect of this country that the credentials of an officially sponsored delegation like that should have been questioned by the British Shipping interests. The disinclination to discuss broad question of policy connected with the future development of Indian shipping also discloses a fundamental misunderstanding about the very aims and objects of the talks.

Expansion of Indian shipping on the lines of the policy recently enunciated by the Government of India will, to some extent, lead to the displacement of British shipping from its privileged position. It is, perhaps, the realisation of this ultimate consequence that has led to the British shipping interests developing this attitude of indifference, if not hostility, towards any effort to have this problem considered and examined in the larger context of affairs. The British interests must, however, be plainly told that India has not gone to them with a beggar's bowl for such crumbs that the former may choose to offer. India has come to her own, and in respect of her national mercantile marine, as in many other spheres, she is determined to pursue a dynamic policy of progress and development. In accomplishing those tasks she would be glad to enlist the assistance and co-operation of British trade interests, if she can. But if that assistance is unreasonably withheld or is hedged in by terms and conditions incompatible with the larger interests of the country, she will necessarily have to turn elsewhere.

The failure of the London talks only goes to emphasise the fact that progress in all such spheres will not be possible unless the Government of India act in a determined manner. Having

accepted the targets recommended by the Shipping Policy Committee of acquiring shipping to the extent of two million tons in the next five to seven years, their first task would be to secure from whatever source possible, more ships and also to take a sustained interest in assisting and developing the ship-building industry in the country. Only by such positive action can we bring a sense of greater realism in such foreign interests.

Speech of Mr. Ramdas Kilachand, Vice-President, Indian Merchants' Chamber, at the Second Quarterly General Meeting of the Chamber on Tuesday, the 5th August 1947, at 4-0 p.m.

FRIENDS,

We have listened to an interesting speech by the President dealing particularly with the developments in the political and constitutional spheres. I wish to supplement the same by a few observations on certain matters of immediate concern to us. Before I do so, I would like to give expression to our feelings of exultation and joy at the emergence of our country as a free and independent land. We have had to sacrifice, to some extent, our ideal of a united India. But the process of making the country into homogeneous units, even if in two parts, has been rendered easy. In the difficult situation which had developed in recent years, what was required most was a settlement based on agreement on essentials between the main political elements in the country. This has been achieved and if the plan is worked in a spirit of mutual goodwill, all can concentrate their energies on constructive effort. Partition will bring us face to face with many problems, particularly in the sphere of trade, commerce and industry, the solution of which is dependent on co-ordinated action. It is a matter of some relief to us, who have been anxiously watching the recent trends, to know that those in whose hands the destinies of the country are, at the moment, placed, are alive to this interplay of common factors. We earnestly hope for the success of the efforts for securing the continuance of conditions which would ensure co-ordinated action between the two Dominions in all spheres of common interests.

Future of Controls

It is somewhat disconcerting that certain recent trends go to show that the control complex has got a firm grip on the officials of the Government of India, including the leaders at the top. The controls were first conceived as an emergency measure to meet the exceptional conditions created by the war. It was agreed and understood that the system would be scrapped as soon as the emergency which had necessitated the regimentation of supplies ended. Certain controls were relaxed, but the continuation of scarcity conditions and of the inflationary process led to an entire

review of the problem recently. The Government of India set up a Commodity Prices Board to advise them regarding the fixation and control of prices. After surveying the existing position relating to production in regard to essentials of life and prospects of expansion in the near future, the Board has recommended the continuation of the control over major items of foodstuffs, cloth, kerosene, firewood, and charcoal, over rent in urban areas, over certain agricultural products such as cotton, jute, oilseeds, sugarcane and over industries manufacturing essentials of life. We have no desire to minimise the gravity of the situation facing the country ; but past experience regarding the working of the controls does not justify the hope that the position can be corrected or remedied by a policy of all-round control. In fact, almost for all the spheres for which the Board has recommended the continuation of control, some measure of control is in existence today, we know with what results. Recent experience has also shown that decontrol has in certain cases, actually benefited the consumers. Oilseeds and oils for which the Board has recommended the reimposition of control, are striking instances in point. Control made supplies scarce and pushed up prices. De-control has resulted in making supplies move more freely and also in adjusting the prices of oils. The administrative difficulties in maintaining a system of control and the experience during the last few years of demoralisation in standards do not seem to have weighed sufficiently with the Board. Those who are in active touch with the working of the controls know the futility of continuing the process.

It must be conceded that the controls in force during the last few years have failed to achieve the main purposes of either securing an equitable distribution or of arresting rise in prices, and there is no justification or warrant for the hope that more widespread controls would lead to better results. The public feeling in the country is also slowly asserting itself against the futility of controls. Before that feeling assumes the proportion of definite unrest, Government should plan for the removal of the controls, both on distribution and on prices, except in regard to basic cereals.

Increased Production

A solution of the problem presented by the continuance of the scarcity conditions should be sought in other directions. Now that the national leaders are, to some extent, free from the major political pre-occupations, they must concentrate efforts on a positive policy and programme for the expansion of production. Everyone is agreed that the shortages can best be met by increasing the overall supply. But the supply position, instead of showing any increase, is actually continuing a downward trend. The production of foodgrains in the country, notwithstanding the large expenditure on the " Grow More Food " campaign, has not shown the expected results. In 1943 we imported 3,28,686 tons of foodgrains, in

1944 the imports rose to 6,53,000 tons and in 1945 to 8,56,726 tons. In 1946 there was a further phenomenal rise and the total imports are put down at 22,50,000 tons. From January to June 1947, we have imported 11,57,000 tons. These imports are costing us quite a lot and are cutting a big hole in our foreign exchange resources. Similarly, production of cloth is also rapidly going down. In 1943-44 India produced 4,870 million yards of mill-made cloth. This went down to 4,651 million yards in 1945-46. The set-back continues and for the seven months, April to October of the year 1946-47, the total production of cloth is estimated at 2,314 million yards. Production of raw cotton and raw jute has also fallen. Sugar, another item of essential civil supply, went down from 11,25,000 tons in 1943-44 to 8,46,500 tons in 1945-46. The raisings of coal for the period April to December 1946 were down by 1,18,000 tons as compared with the position in the same period during the previous year. In the case of cement, paper and several other items, the same downward trend is visible. It is high time that a concerted attempt was made to take stock of the situation and investigate the causes of this set-back and bring about conditions which would offer the necessary incentive for increasing production.

Apart from a programme of purposive planning leading to increased industrialisation and a revision of the taxation policy announced last year, a solution of this problem of stepping up production will be very much facilitated by improved industrial relations. The problem presented by strikes and stoppages of works is a serious factor. In the year 1945, the number of stoppages of work in British India amounted to 820 as against 322 in 1940 and 658 in 1944. The general upward trend of stoppages continues. The textile industries have suffered most by stoppages of work. The loss in man-days in cotton, woollen and silk mills during the period of 1935-45 represents 51.3 per cent of the total loss in all industries. In the textile industry, in Bombay City particularly, the upward trend is very striking. In the year 1939, the number of disputes resulting in stoppages of work were 31 involving a loss of 94,456 man-days. In 1942, the corresponding figures were 38 disputes and 2,86,173 man-days lost ; in 1945, the number of disputes rose to 65 and the man-days lost to 4,16,202. In the year 1946, there was a record rise to 179 in respect of disputes and 14,02,075 man-days lost.

Even Mahatma Gandhi, whose sympathy towards labour cannot be questioned, recently felt constrained to characterise strikes as a nuisance leading to an inevitable dislocation of public life. A Labour Leader like Jai Prakash Narain was frank enough to acknowledge recently that strikes were impeding production and that in the interests of stepping up production in the country strikes should come to an end. Earlier in the year, while addressing the Annual Meeting of the Federation of Indian Chambers of Commerce and Industry, Pandit Jawaharlal Nehru suggested that a

Tripartite Conference of representatives of Government, industries and labour should be held with a view to devising ways and means for bringing about better industrial relations. Some efforts in that direction are urgently called for. A solution of the problem presented by this phenomenon is an essential pre-requisite for the success of any efforts for increasing production and expansion of industries. This is one of the pressing tasks which the National Government will have to face and tackle immediately.

Condition of our Transport and Utility Services

There is a growing feeling of exasperation at the continued deterioration in the standard and utility of our transport and communication services. Movement of passengers and goods over railways is in a state of utter disorganisation. Complaints about difficulties caused by wagon shortage, closure of booking, restriction on movement of parcels and above all against the lack of response and sympathy from the officials manning the transport services have become chronic. It was understood that the setback lately was due, perhaps, to the immobilisation of a large number of vehicles by conditions of internal disorder in several centres. Last month the Committee of the Chamber had an opportunity of discussing these difficulties with the Honourable the Transport Member. He gave us some hopes of relief as a result of the measures which the Departmental officers were then planning. The results, however, continue to be disappointing and the Chamber is being inundated with complaints and grievances against the incapacity of the railway system and the administration to cope up with the requirements of the situation.

A large number of military vehicles and lorries were released to the public by the Disposals Organisation. The inadequacy of the present basis of ration, difficulties in getting spares and parts, the control on the importation and distribution of such parts and the uncertainty over the future policy of the Provincial Government in regard to road services are coming in the way of motor transport being pressed into fuller use in relieving the present transport shortage. There is no justification for continuing petrol rationing particularly in Port Towns, where at least the difficulties of handling transport and storage of petrol, do not exist. We understand that many countries in Europe have withdrawn the restrictions placed during the period of the war on the use of petrol. But, unfortunately, in this country, as in the case of all the other controls this control also, which was specifically intended to meet the war-time emergency is still being continued. Thus, on the one hand, the railways are unable to cope with the requirements of the traffic, and, on the other, Government do not seem to be anxious to assist the diversion of a portion of the traffic to alternative forms of transport.

In the ports the transit sheds are congested. There are difficulties in tracing goods. Pilferage and loss of consignments add

to the seriousness of the problem. Our postal and telegraph services have not been reclaimed from the state of confusion into which they were thrown during the period of the war. Complaints about delays in the receipt of postal communications, including those meant for Express Delivery, have not abated. The efficiency of the telephone service in the City is at a very low ebb. Difficulties for obtaining new telephones or for expanding existing facilities are persisting. The cumulative effect of the deterioration in the standard of service of all these utility undertakings which have a vital bearing on the normal conduct of trade, commerce and industry, is that there is a check on progress and expansion at every stage. The services should be gingered up, the administrative efficiency should be toned and the present attitude of sloth, inactivity and of indifference on the part of those in authority should cease. All these can be done by creating opportunities for greater contact between those who mann the commercial services of Government and public bodies representing commerce and industry. It is with a view to providing that essential link that we have often in the past urged the creation of Advisory Bodies with wide functions and powers to be associated with the administration and management of all our utility services. The existing Advisory Bodies of the Railways are not in a position to be of effective use because of the limitations on the scope of their activities. The Chamber has pressed for an enlargement of the powers and functions of the Railway Advisory Committees. They have also similarly suggested the need for setting up Advisory Bodies for the other utility services particularly the Posts and Telegraphs and the Telephones. There must be a break with the old governmental traditions. Responsible and representative Government presupposes a more intimate and active contact with public opinion and the Advisory Bodies of the kind we have envisaged will provide the necessary medium for such contract in so far as utility services are concerned.

United Nations Conference on Trade and Employment

I should now like to conclude with a brief review of the progress of the Preparatory Committee of the United Nations Conference on Trade and Employment, which has been in session for a second time in Geneva for just over 3 months. The Conference has not been proceeding according to the scheduled time table, consequent on the lack of accommodation on the part of the two Big Powers, viz. : U.S.A. and Great Britain, in respect of tariff negotiations, a preliminary agreement on which has been considered to be of essential importance and indispensable to the success of the forthcoming full Conference on Trade and Employment scheduled to meet in November for approving the proposed Charter of the International Trade Organisation. It is understood that the deadlock in the talks is largely due to the stiff attitude of the American Delegation in their negotiations with Australia on the question of

wool. Recently, in June, Mr. George Marshall, U.S. Secretary of State, had to warn Congress that in accepting the proposal to impose tariff on wool imported into the U.S.A., it might ' stymie ' the International Conference which was meeting to seek world-wide removal of trade barriers. However, excepting this item of wool, it is reported that she has adopted a more accommodating attitude in respect of other articles. The British offers too—which have been in the nature of a few small reductions in tariffs, a very few offers for reduction and elimination of preference margins and an undertaking to bind margins of preference at their existing level in the case of the rest—have not been found to be satisfactory to many countries. Another disturbing element is the confounding French tariff structure which has been adjusted to the higher level of prices and the possible disappearance of the protective element of import quotas. Further, the substantial over-valuation of the Franc has complicated the whole French tariff position which is one of extreme uncertainty.

Regarding the work on the proposed Charter of the International Trade Organisation, it is understood that as a result of the slow pace of the Tariff Negotiations Conference, the delegates have found sufficient time to debate the various chapters of the Charter, clause by clause. They have formed into two commissions " A " and " B " for the purpose of examining the chapters and submit points of differences to Sub-Committees whose task it will be to produce texts reconciling them. So far it seems the controversial topics such as the need for quantitative restrictions on imports on the part of certain under-developed countries have not been thrashed out. Even the discussions on the chapters covering full employment, economic development and application of sanctions against members which have been so far examined, reveal sharp differences and seem to have led to some important amendments. The crucial test of the success of the negotiations which are being carried on will be provided by the measure of unanimity and agreement achieved on the clauses in Chapter V relating to Commercial Polic achieved on the clauses in Chapter V relating to Commercial Policy, and particularly the manner in which the claims of the under-developed countries regarding the use of all legitimate and reasonable means of developmental tariffs for utilising their industrial resources have been duly recognized.

Speech of Mr. Ratilal Mulji Gandhi, President, Indian Merchants' Chamber, at the Third Quarterly General Meeting on Monday, the 17th November 1947.

FRIENDS,

The Report of the work done by the Committee of the Chamber during the Quarter that has just ended has already been circulated to Members. The three months that have elapsed since we met on the last occasion have witnessed developments of a far-

reaching character. At the Second Quarterly General Meeting while voicing our sense of jubilation at the dawn of Freedom, I expressed the hope that the passions let loose by the political controversies of the past would subside and that an appreciation of the tasks and responsibilities that lay ahead would lead to India's problems being viewed in their proper perspective so as to enable the country to work out its destiny in an orderly and peaceful manner. It is, however, sad to reflect that in the wake of Freedom we have witnessed almost an unprecedented orgy of violence and devastation in certain important parts of the country. The tragedy behind the events of the last few days is too deep and poignant for words. In this crisis, our Leaders in the Central Government under the inspiring guidance of Pandit Jawaharlal Nehru and Sardar Vallabhbhai Patel have shown a rare degree of courage and statesmanship and the country will heave a sigh of relief that by their forthright and timely action the danger has been nipped in the bud. Comparative tranquillity has been restored, but there is still lurking an undercurrent of suspicion and fear that we are not completely out of the woods. Mahatma Gandhi, the apostle of peace and non-violence and the architect of resurgent India, is after the herculean task of removing all traces of this complex of fear, bitterness and suspicion and instilling in its place a spirit of forgiveness, toleration and goodwill. Let us do our bit in assisting him in that task by exercising a high degree of restraint and by propagating in our own spheres his message of peace and goodwill.

Evacuation and Rehabilitation

The immediate problem confronting the country is the orderly assimilation of the large number of evacuees who under the stress of the happenings of the last few days have found it necessary to leave their hearths and homes. Movement of population on a scale unknown to history has taken place and is continuing. It is no use at this stage speculating on the desirability or otherwise of such large-scale evacuation. It is a grim fact and has to be faced squarely. It is the duty of all of us who are in areas of comparative calm to do our best in furthering the work of relief and rehabilitation. A large number of refugees and evacuees have found their way to Bombay ; many of them are in distress. Relief organizations have been set up for finding them a shelter in the city and elsewhere in the Province and for making efforts to resettle them in life. A central relief organization in Bombay known as the Mayor's Refugees' and Evacuees' Relief Committee has been constituted with a view to supplementing the efforts of Government and other non-official agencies. The work naturally involves expenditure of a large amount and I take this opportunity of commending for your sympathetic consideration the appeal issued by the Mayor for funds for this work and for assistance in other directions. A good number of evacuees naturally will need employment and assistance to enable them to resettle in life. This is a sphere in

which members of the Chamber can be of practical assistance. Let me add that we would be taking an enlightened self interest in facilitating the orderly assimilation of all these elements into the social life of the city and the province, as unless the necessary opportunities are provided to them for becoming useful citizens and residents there is the risk of a certain proportion of this floating population proving a threat to ordered progress.

Assets belonging to Evacuees

This wave of movement of population has in its wake raised many problems in the economic sphere. Property and effects had to be abandoned by those who had to leave their traditional homes and there have been reports of systematic efforts to prevent the removal of even personal belongings. The sufferers naturally look to the Indian Government to arrange with the authorities of the Pakistan Government for the protection of their interests and for facilities to draw on and remove their resources. The problem of compensation would also naturally arise and it is to be hoped that when our Leaders are a little more free from their immediate pre-occupations of evacuation and rehabilitation, these economic aspects vital to the well-being of those displaced would be attended to energetically and in a firm manner.

Owners of trade goods are, under the orders of the Pakistan Government, denied facilities and permission to move those goods into the Indian territory. There are cases where goods imported and landed at the port of Karachi for distribution throughout the country, including centres in the Indian Union, are in a state of being frozen. Even normally, all the goods imported through Karachi are not intended for use or consumption within the Pakistan area. Karachi is an important centre of entrepot trade. Goods meant for distribution and consumption in centres in the Indian Union are, according to the convenience of the trade and the shipping facilities available, even in normal times imported at that port. The Standstill Agreement between the two Dominions was supposed to govern trade movements between the two areas and intended to ensure that the authorities of one part did not impose any restrictions or put any barrier on the flow of trade and movement of goods from that part to the other. It is the duty of the Indian Government to enforce the observance of the requirements of this Agreement both in letter and in spirit and to see that justice is done to owners of goods and property located in Pakistan territories. Even in cases where the Pakistan authorities find it essential to retain any of the trade goods for reasons connected with the sustenance of their internal economy, it should at least be definitely provided that the Pakistan Government would arrange for the payment of full value of the goods and properties so detained under official orders.

Credit institutions like Banks and Insurance companies who have lost some of their assets in the affected areas will, no doubt,

require advice, guidance and assistance from Government in tiding over their temporary difficulties which were more or less forced on them. We have already drawn the attention of the Government of India to the above aspects and it is to be hoped that both the Government of India and the Reserve Bank of India would plan such steps as may be found to be necessary, in the light of a fuller inquiry into the extent and the details of the damages caused, so as to obviate chances of these unfortunate developments causing chaos and confusion in the financial sphere.

Riot and Civil Commotion Losses

The events that have taken place reinforce the need for an early announcement by Government undertaking liability to compensate losses resulting from riots, civil commotion or insurrection and for instituting a scheme of insurance for covering such losses. The magnitude of the risk is obviously beyond the resources of private Insurance interests and unless Government forthwith announce their decision to compensate losses and introduce a scheme of State Insurance, normal activities will be seriously paralysed. During the War, even at the first indication of likely loss or damage to property from enemy action, Government instituted a compulsory Scheme of War Risks Insurance. The loss and risk on the present occasion are more real and widespread. Consultations have taken place in the past between Government and representatives of Insurance interests on the essentials of such a Scheme of State Insurance. Even in the case of past losses, the sufferers should not be allowed to fend for themselves. It is relevant to point out that the losses were the direct outcome of a political upheaval and the Nation as a whole should bear the burden of the same. Government will, no doubt, be assisting in restoring confidence by an early announcement of the plans and proposals in this sphere.

Implementing Partition

It was recognised on all hands that after partition, the two new States must necessarily regulate their mutual relations in a manner far more intimate than those normally subsisting between independent countries. The artificial frontiers necessarily cut across the lines of trade and communications and it was plain that in the common interests of both the parts, some uniformity in the spheres of defence, customs, communications, currency and external relations was very essential so as to preserve the economic unity of the land. The events of the last few days have perhaps delayed the progress of constructive efforts in that direction. Many Expert Committees were at work for the purpose of implementing the scheme of partition. The basic principles which should govern the division of assets and liabilities do not seem to have yet been agreed upon. A standstill agreement continuing the *status quo*

was supposed to regulate the trade and fiscal relations between the two Areas. Complaints that the Authorities of the Pakistan Government are not respecting the spirit of this Agreement are frequent. The unfortunate developments of the last few weeks should not come in the way of the two States pursuing their efforts for entering into treaties and agreements for securing a fair measure of co-ordination and reciprocity in treatment in spheres of common interest. Current experience has already given a rude shock to the public generally and the prospects of any such long-range agreement are being discounted. Consequently, extreme sections in both the parts, as a counsel of despair, are thinking in terms of isolated development. One can only hope that when conditions are more normal, the threads of the previous negotiations for the evolution of common policies would be continued and that the two States will be able to come to permanent arrangements towards that end.

Ending Corruption and Profiteering

The conditions which emerge in a period of warfare generally debase human character to a large extent. Moral standards suffer by deterioration. The lure of immediate opportunities make the less scrupulous oblivious of their social duties. We had our share of such unhealthy developments. Everywhere, there is a growing realisation that if we wish to reclaim the fair name of the country, the evils of corruption, blackmarketing and profiteering should be put down with a ruthless hand. The Governments, both Central and Provincial, have put into operation a vigorous drive for eliminating such abuses. It is the duty of the commercial community to assist that effort. Rightly or wrongly, the mercantile community as a class have come in for a great deal of criticism in connection with some of the unfortunate developments during the days of stress and strain. We should have a clearer perception of our duty to the public. The merchants are an effective link in the organisation of society. They cater to the needs and requirements of the public. Let us discharge that function in a spirit of service and be true to our Dharma.

United Nations' Conference on Trade and Employment— The Draft Charter

I should now like to conclude with a few observations on the Report of the Second Session of the Preparatory Committee of the United Nations' Conference on Trade and Employment which will constitute the Agenda and the basic working paper at the Full Conference, which is scheduled to be held in Havana (Cuba) on 21st November 1947. The Draft Charter of the proposed International Trade Organisation as it has emerged after the discussions in the Second Session is now published as part of the Report. The same, as you are aware, was discussed at the recent Joint Meeting of the Consultative Committee of Economists and the Trade Policy

Committee at Bombay and I had the honour of representing the Indian Merchants' Chamber at the said meeting.

The Committee of the Chamber while expressing their views on the First Report of the Preparatory Committee and the Proceedings of the Tariff Negotiations Conference had occasion to represent and emphasise strongly their objections to the proposed Draft Charter from the point of view of our country. We had then taken the opportunity to point out that the original U.S. Draft which was the basis for discussion at the First Session was conceived primarily from the point of view of industrially advanced countries seeking to stabilise their industrial development at the highest level reached during the war, ignoring the claims of the industrially backward and under-developed countries such as India. In this connection, I must mention that the Indian Delegation presented a strong opposition insisting on re-orientating the whole Draft recognising the legitimate claims of the under-developed countries. Consequently a few significant modifications in the original Draft, such as the acceptance, as one of the principles,

> " to foster and assist industrial and general economic development, particularly of those countries which are still in the early stages of industrial development . . ."

and the inclusion of certain services such as transportation, telecommunication, insurance and banking as substantial elements of international trade, have been secured. While I fully appreciate the commendable teamwork and the bold and vigorous stand taken by the Indian Delegation in representing the Indian point of view and their championship of the cause of the under-developed countries, the fact remains that some of the vital and fundamental claims of the industrially backward and under-developed countries have not been fully recognised.

In my view the Chapter on Commercial Policy in the Draft Charter constitutes the real crux of the problem. From our point of view, the most glaring feature of the whole Chapter is the failure of the Conference to recognise the need for developmental tariff measures in industrially backward and agricultural countries like India and China. It is a matter of common knowledge that both the U.S.A. and U.K. have, in the course of the industrialisation programmes of the respective countries, resorted to various measures including the use of bounties, and subsidies to safeguard and develop their industrialisation against the inroads of foreign competition. They now seek to stabilise their present position by resorting to tariffs primarily under the cover of an emergency measure and this has been secured for them by the various exemptions and reservations provided under the Articles in this Chapter. It is hardly necessary for me to emphasise that industrially underdeveloped countries like India and China have a most vital use of developmental tariff and other measures of like nature in implementing their plan of reconstruction and industrialisation. Among

the developmental tariff measures, we have always claimed that we should have the right to use quantitative restrictions when the other methods have failed to secure our objective. Though it is recognised in the Chapter on Economic Development that the grant of Governmental assistance in the form of protective measures is justified, it is nowhere clearly accepted that quantitative restrictions can be used as a protective measure. On the contrary it is necessary to secure the prior approval of the International Trade Organisation with all the dilatory and cumbersome procedure involved to resort to quantitative restrictions. Under the provisions of the Chapter IV, India cannot resort to any kind of quantitative restrictions such as import and export controls for any protective purpose.

It is pertinent to observe that the European countries including U.K. have succeeded in securing important reservations in respect of several important clauses of the Draft Charter in view of their balance of payment difficulties or internal disequilibrium. While their difficulties have been fully appreciated so as to practically suspend the operation of the principle of multilateralism for a period of nearly five years, the ligitimate claims of the industrially backward and under-developed countries have not been accorded full recognition and appreciation. It is, however, gratifying to learn from the Government that they have not so far entered into any commitments regarding the various Articles in the Draft Charter. I hope that before making any final commitments in respect of the Draft Charter at the Full Conference on Trade and Employment to be held at Havana, the Indian Delegation will avail of every opportunity to press for the claims of the industrially backward countries and try to secure the necessary modifications in the Articles of the Draft Charter with a view to protect and safeguard their legitimate interests.

Speech of Mr. Ramdas Kilachand, Vice-President, Indian Merchants' Chamber, at the Third Quarterly General Meeting on Monday, the 17th November 1947.

FRIENDS,

The President has in his speech referred to the unfortunate developments in the country after the 15th of August and certain aspects of the immediate repercussions resulting therefrom. The disturbances have also caused widespread unsettlement in the normal and day-to-day activities of Government. The Ministers and the Governmental machinery, particularly at the centre, have naturally to concentrate their energies and attention to the solution of the immediate problems presented by these happenings. Consequently the work in the constructive spheres is held up. With the attainment of Freedom, it was hoped that the task of planning the life, future and prosperity of the 300 million people of the land would receive the first measure of priority and that Government

would be able to devote their concentrated attention to the solution of the social and economic problems confronting the country. These problems cannot be solved in a piecemeal fashion. It should be attempted in terms of a purposive programme drawn up on the basis of an integrated policy embracing all aspects. A good deal of preliminary work has been done in the sphere of planning. The next stage would be the formulation of targets and the determination of the stages of priorities. It is felt that the creation of a separate Ministry of Economic Affairs would very much facilitate this work being handled in a sustained and continuous manner and in bringing about the necessary degree of co-ordination as between the different provinces and the Centre and again as between the different Ministries in the Centre.

Inter-Provincial-State Co-ordination

I would here like to refer to an aspect which has an important bearing on the future economic progress of the country as a whole. Questions relating to trade, commerce and industry generally have an all-India bearing. The devolution of powers as between the Provinces and the Centre is a matter which is now engaging the attention of the Constituent Assembly. The indications are that the scheme of distribution would aim at a strong Centre with subjects of all-India significance being placed within the purview of the Union Government. Even so, it is conceivable that some items relating to trade, commerce and industry may continue to remain in the Provincial sphere of action. This raises the issue of the need for some machinery for co-ordinating efforts in the Provincial sphere so as to bring about a fair degree of uniformity both in the legislative provisions and administrative practices throughout the length and breadth of the country. I may cite the case of Labour legislation. This item perhaps may continue to be in the concurrent list. In the result, the provinces may be free to formulate their own programme of action without any regard to the conditions obtaining in other provinces within the Union, creating in consequence a disparity in standards as between one province and another. The fear is not imaginary. It was recently reported that even if the Government of India do not consider it advisable at this stage to undertake legislation controlling and regulating the generation and supply of electricity, certain Provincial Governments may within their own areas go ahead with such legislation. Such tendencies and developments have to be avoided. Whatever may be the ultimate position in regard to the devolution of legislative powers, in matters of common interest and particularly in spheres concerning trade, commerce and industry, there should be an all-India machinery if you like, developed on a voluntary basis for the purpose of bringing out a high degree of co-ordination between the Provincial Governments and the Indian States on the one hand and the Central Government on the other, thereby ensuring a fair measure of uniformity in Legislative and administrative practices.

Asian Regional Conference

The Inter-Asian Conference held in India early this year was the first attempt to bring the peoples of Asia together. Problems like Inter-Asian cultural relations, elimination of racial conflicts, transition from a Colonial to national economy, were all discussed objectively and the establishment of a permanent Asian Council, with Pandit Jawaharlal Nehru as the Chairman, laid the foundations for collective action by the peoples of Asia in international spheres. Another Asian Conference dealing with social security in Asia has just ended. The Preparatory Asian Regional Conference of the International Labour Organisation marks the fulfilment of a demand stressed for years by Indian representatives that the problems of Asian countries should be studied in the context of affairs obtaining in those countries. Social progress will be conditioned by economic development. It was often felt that the policies underlynig the many conventions and recommendations adopted by the International Labour Office were conceived mainly from the point of view of the requirements and conditions obtaining in industrially advanced countries. The application of the same standards to under-developed countries might, instead of promoting social security, act as a check on economic development. The need for a regional approach to social problems was recognized by those who planned the structure of the International Labour Organization. Article 19 of the constitution of that Organization provides that,

> " In framing any Recommendation or draft Convention of general application, the Conference shall have due regard to those countries in which climatic conditions, the imperfect development of industrial organization, or other special circumstances make the industrial conditions substantially different and shall suggest the modifications, if any, which it considers may be required to meet the case of such countries ".

Notwithstanding this safeguard and notwithstanding the disparity in standards of development as between the Western and the Asiatic countries, the above special provision ensuring a regional approach to economic and social problems has rarely been made use of. The Conference that has just ended was a welcome move as paving the way for the social problems of Asia being studied and considered in their proper regional setting.

India has an impressive record in the matter of ratification of the conventions and recommendations passed by the International Labour Conferences. The new social consciousness in the country following the breath of freedom is longing for richer and improved standards of life and social conditions. The Popular Ministers have already before them an ambitious programme of labour welfare. Indian industrialists and employers are no less anxious to secure fairer conditions of work and life for labour. At the same

time, they have urged the need for a programme of more speed and less haste, so that social progress may be linked to economic development. Care must be taken to see that the burdens caused by the new policies are not beyond the capacity of the industries concerned to bear. This aspect of the economic strength of industries should be given due importance while planning the further stages of social progress. It is also significant to recall that the Conference in its resolution on social security felt called upon to make a special observation that " implementation of such schemes will be facilitated " by a wholehearted effort to increase and intensify production. That is the crux of the problem. Rights and privileges carry with them duties and obligations and labour can do quite a lot to hasten the progress of schemes of social security by a clearer appreciation of its responsibilities and its duty to bring about increased production and output in the country. Stoppages of work and slow-down tactics should definitely end and labour should put its shoulder to the wheel wholeheartedly and in a spirit of true co-operation.

Housing Programme in the Province of Bombay

Next to food and clothing, shelter is one of the main problems demanding solution at the moment. The scarcity of building materials however, is coming in the way of voluntary efforts on an organised scale for improving the housing position. Organised efforts should be made to end this state of affairs and private building activities should be assisted by Government and arrangements made for the release of necessary materials. The Government of Bombay are sponsoring a programme for the provision of increased housing accommodation for meeting the needs particularly of industrial workers and low income groups and for devising ways and means for raising funds for the purpose. The proposals embrace measures of direct construction by Government themselves undertaking construction of new houses and assisted construction by Government assisting employers, Local Bodies, Co-operative Societies and approved private builders to undertake construction of housing conforming to standards officially laid down. Any effort for relieving the existing housing shortage by a planned programme of new construction should, indeed, be welcome at this juncture. The proposals of Government, however, particularly in the matter of steps suggested for the financing of the scheme seek to impose an onerous obligation on employers based on the assumption that the provision of housing for employees is a direct responsibility of employers. In previous discussions on this subject and in the references made by Commissions and Committees in the past dealing with labour problems, it was more or less generally recognised that the provision of industrial housing was essentially a responsibility of the State and the civic authorities. Employers could, no doubt, be expected, wherever possible to supplement the efforts of the State and the civic bodies by giving particular attention to the

housing of employees under their direct employment. In the process of the financing of the scheme which Government have in view it is envisaged that employers in industrial areas like Bombay, Ahmedabad and Sholapur should be required to contribute a levy at the rate of Rs. 2 per month per employee in the case of industrial or commercial establishments employing more than 100 workers and at slightly reduced rates in the case of establishments employing lesser number of workers. The programme will be spread over five years involving a capital outlay of Rs. 7½ crores. Of this amount, Government wish to recover through the above levy a sum of Rs. 2½ crores from the employers in case their expectations of similar assistance from the Government of India are realised. If, however, the Government of India are not in a position to make such a contribution the employers would be expected to contribute to the extent of Rs. 3¾ crores representing half the total expenditure. In regard to all matters concerning the welfare of labour, a co-ordinated policy on an all-India basis is very essential in order to obviate unhealthy repercussions resulting from differential standards as between the different provinces or areas. The Government of India had in the year 1945 as a result of the recommendations of a special Sub-Committee appointed at the 7th meeting of the Tripartite Labour Conference initiated a common line of policy which, it was expected, would be made applicable throughout the country. Under that scheme employers were required to make a contribution towards the Housing Fund to the extent of Rs. 2 per month per house allotted to individual employers for the direct housing of their own labour. Any deficit remaining over and above that covered by this contribution from employers was to be met by a subsidy raised by some form of general taxation. The scheme of the Central Government was, in a large measure, based on the acceptance of the principle that the provision of " housing was essentially a State responsibility ". The proposal of the Government of Bombay, on the other hand, tries to shift a good part of the burden to employers. It is relevant, in this connection, to point out that the imposition of a levy at the proposed heavy rate will add substantially to the cost of operation of industries located in this Presidency with the result that the competitive capacity of the products of such industries in comparison with the products of industries situated elsewhere will be seriously affected. The Government of Bombay should accept the position hitherto acknowledged and recognised that housing is a national responsibility and that no direct general financial obligation should be thrown on the employers for meeting the cost of housing programme except to the extent of an agreed contribution in respect of such housing as may be allotted to individual employers for the housing of their own labour.

International Monetary Fund and Bank

As a result of the Bretton-Woods Conference two institutions were organized in the International sphere, viz. : the International

Monetary Fund to assist and promote exchange stability, and the International Bank to assist reconstruction and development. The publication recently of the Second Annual Report of the two Institutions provides an opportunity for reviewing their activities. As one of the five largest quota-holders, India has appointed an Executive Director on the Fund and one Director on the Bank. We are necessarily interested in the activities of the institutions as in view of our future programme of planning for an expanded economy, we may have to make use of the facilities and assistance available from these two organizations in times of need. These organizations again are an essential link in the activities of the U.N.O. in the economic sphere. The proposed International Trade Organization is also expected to work in close concert with the Fund and the Bank. The International Monetary Fund began exchange transactions on 1st March 1947 and upto 30th June 1947 has sold $50 million in U.S. Funds to France, and $1.5 million in sterling to Netherlands. The initial par values of the currencies of the various countries were fixed in December 1946. Since then, the Fund is keeping a continuous watch over the situation and wherever continuance of price inflation threatens the currency parities, the Fund draws the attention of the member concerned and stresses the need for corrective action. In order to avert disturbances in exchange on account of transactions in gold at prices substantially above monetary parity, the Fund has fixed a margin ¼ of 1% above and below par in respect of such transactions. The International Bank had to encounter serious obstacles almost from its inception. Ultimately it succeeded in inducing the American public to invest in the Bonds of the Bank to the tune of $200 million. The membership of the Bank has increased from 38 to 45 and the total subscribed capital from $7,670 million to $8,245 million as on August 1947. During the year, the Bank granted three loans, the first loan of $250 million to France, the second loan of $195 million to Netherlands, and the third loan of $40 million to Denmark. It is understood that the Bank is very particular about the purposes for which assistance is sought. Loans are granted only for projects to be carried out in the immediate future. By the statutory definition of its principles and functions, the Bank is not intended to provide all the finances needed for reconstruction projects, but to provide only a catalyist by which production may be generally stimulated and private investment encouraged. The Bank will thus make strategic use of its resources so that the funds which it releases can be devoted to the greatest immediate increases in production. India has not had so far any occasion to take advantage of the facilities offered by the above institution. There is a strong feeling that the Bank is at the moment inclined to concentrate its attention on the recovery of European countries and does not seem to be impressed with the need for immediate assistance to Asiatic countries. The urgency of the problem of recovery in Europe should not detract from the importance of the develop-

ment of countries in the East. India is planning a programme of reconstruction. This will involve capital expenditure on a fairly substantial scale and if the releases in the initial years from our sterling credit are not adequate to cover our needs in respect of foreign payments for imports of capital equipment, we may necessarily have to take advantage of the facilities offered by the Bank. When the need arises, it is hoped that the Bank will be prepared to extend the necessary assistance to India.

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